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Congress of the United States
House of Representatives
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POST OFFICE AND CIVIL SERVICE
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SELECT COMMITTEE ON AGING
Chair, Task Force on Social Security and Women
COMMITTEE ON HOUSE ADMINISTRATION
WHIP AT LARGE

PAY EQUITY ACT OF 1984
H.R. 5092

PURPOSE: To require periodic, detailed reports to the President and the Congress by the Equal Employment Opportunity Commission, the Secretary of Labor, and the Attorney General describing actions taken to enforce Federal laws prohibiting discrimination in compensation on the basis of sex, race, religion, color, or national origin and to reaffirm the provisions in Federal law which declare that equal pay should be provided for work of equal value.

SOURCE: Introduced by Congresswoman Mary Rose Oakar of Ohio on March 8, 1984, and referred to the Committees on Education and Labor and Post Office and Civil Service.

BACKGROUND: For decades, women have been paid less than men although they have performed the same or comparable tasks. The present discrepancy in wages (women earn an average of 62 cents for every dollar earned by men) is one of the most obvious forms of discrimination in our society. And, despite present law guarantees such as title VII of the Civil Rights Act, Executive Order 11246, and section 2301 of title V of the United States Code, discriminatory wage setting practices persist in both the public and private sectors.

Various private and public sector employers are beginning to examine their own pay structures in an effort to eliminate discriminatory wage differentials. Objective wage evaluation techniques and collective bargaining have proven successful.

However, the Federal agencies charged with enforcing pay equity have been negligent. The Equal Employment Opportunity Commission is specifically charged with providing leadership and guidance on matters regarding equal employment practices. The Commission's activity in the pay equity area has been non-existent in recent years. Similarly, other Federal agencies have been lax in enforcing equal pay laws.

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SUMMARY: Section 1 of the Act establishes the findings and purpose. The bill assumes that the earnings of full-time female workers are significantly lower than full-time male workers. The discrepancy in pay is a result of wage setting practices based on sex, race, color, religion, and/or national origin rather than on education, training, skills, effort, responsibility, and experience for the job.

The purpose of the Act is to identify discriminatory wage setting practices in the public and private sector, encourage employers to comply with current laws, reaffirm the Federal government's responsibility in enforcing present laws, and bring Federal wage setting practices into compliance with title VII of the Civil Rights Act and sections 2301, 5101, and 5301 of title V of the United States Code.

Section 2 of the Act defines the terms: Commission--The Equal Employment Opportunity Commission; Secretary--Secretary of Labor; Office--The Office of Federal Contract Compliance Programs and; Federal agency--any agency of the Federal Government or the District of Columbia, any Executive agency, the United States Postal Service, Postal Rate Commission, the Library of Congress, the Congress, the General Accounting Office, and the Office of Technology Assessment.

Section 3 of the Act outlines the specific activities of the Equal Employment Opportunity Commission. The E.E.O.C. would carry out a continuous program of education on eliminating discriminatory wage setting practices, would conduct research on various equitable wage setting techniques, and develop a plan to provide technical assistance to any employer requesting assistance in this area.

The section establishes guidelines which E.E.O.C. must follow when reporting to the President and the Congress on its activities in the pay discrimination area. E.E.O.C. would conduct a thorough study of all pending cases alleging wage discrimination, reporting on the number of charges, the filing location, the type of wage discrimination, the basis for the charges, the number of civil actions which the Commission has filed with respect to wage discrimination, and the present status of the charges. The bill establishes specific reporting dates for the Commission's findings.

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Section 3 also requires the Commission to conduct a study on pay discrimination in the Federal Government and report its recommendations for change within six months after enactment of this act.

Section 4 requires the Secretary of Labor to report to the President and the Congress no less than 30 days after the enactment of the bill and six months thereafter describing the actions taken to enforce Executive Order 11246, prohibiting discrimination in compensation by Federal contractors.

Section 5 requires the Attorney General to report to the President and the Congress no less than 30 days after the enactment of the bill and six months thereafter describing the actions the Office of Civil Rights had taken in enforcing title VII of the Civil Rights Act of 1964, Executive Order 11246, and other Federal laws.

Section 6 requires that, no later than 90 days after receiving the report from the E.E.O.C. regarding the Federal wage system, the Director of the Office of Personnel Management submit a report to the President and the Congress commenting on the Commission's report and a plan for implementation of the recommendations specified in that report.

Section 7 of the Pay Equity Act of 1984 requires that Federal departments and agencies include in an equal employment opportunity plan (which is required in section 717 of the Civil Rights Act of 1964--section 42 of the United States Code) a review of any discriminatory wage setting practices or any violations in equal pay laws. The section also requires the agencies to submit a plan to remedy any discriminatory practices.

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TESTIMONY OF REP. MICHAEL D. BARNES ON LEGISLATION TO ESTABLISH COMPARABLE WORTH PAY EQUITY IN THE FEDERAL SERVICE

BEFORE THE SUBCOMMITTEE ON COMPENSATION AND BENEFITS

HOUSE POST OFFICE AND CIVIL SERVICE COMMITTEE

APRIL 3, 1984

I WOULD LIKE TO THANK THE CHAIR FOR THIS OPPORTUNITY TO TESTIFY ON BEHALF OF ESTABLISHING AND APPLYING THE PRINCIPLE OF COMPARABLE WORTH IN THE FEDERAL GOVERNMENT. I WOULD ALSO LIKE TO COMMEND HER FOR HER STEADFAST PERSISTENCE IN KEEPING THIS MATTER AT THE FOREFRONT OF PUBLIC DEBATE.

SINCE 1964, THE LAWS OF OUR NATION HAVE REQUIRED EMPLOYERS, INCLUDING THE FEDERAL GOVERNMENT, TO PROVIDE EQUAL PAY FOR EQUAL WORK FOR ALL EMPLOYEES. WE HAVE BEEN FIGHTING THIS BATTLE FOR TWENTY YEARS WITH SOME SUCCESS, BUT WE HAVE YET TO WIN A FINAL AND CONCLUSIVE VICTORY.

THE MATTER OF PAYING WOMEN THE SAME PAY AS MEN WHEN THEY PERFORM WORK THAT IS OF COMPARABLE VALUE TESTS OUR NATION'S WILLINGNESS TO FINISH THE TASK OF PROVIDING REAL ECONOMIC JUSTICE TO AMERICAN WOMEN. ESTABLISHING AND ENFORCING SUCH A STANDARD OF JUSTICE IS NOT MERELY THE RIGHT THE THING TO DO -- FROM THE STANDPOINT OF THE NATION'S ECONOMIC FUTURE AND OUR ABILITY TO REALIZE THE FULL POTENTIAL OF ALL AMERICAN WORKERS -- IT IS ALSO THE MOST REASONABLE THING TO DO.

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THAT IS WHY I SHARE THE CHAIR'S VIEW THAT IT IS DEPLORABLE THAT THE CURRENT ADMINISTRATION HAS LAMELY COME BEFORE CONGRESS THROWING UP ITS HANDS BECAUSE IT CAN FIND NO REASONABLE STANDARD UPON WHICH TO ESTABLISH COMPARABLE WORTH.

THE CASE OF AFSCME V. THE STATE OF WASHINGTON CLEARLY DEMONSTRATES THAT THERE ARE WORKABLE STANDARDS IN THE REAL WORLD WHICH CAN BE UTILIZED TO ACHIEVE ECONOMIC JUSTICE. THIS ADMINISTRATION, NEVERTHELESS, TURNS A BLIND EYE TO WHAT WAS ACCOMPLISHED IN THAT CASE FOR THE SIMPLE REASON THAT IT BELIEVES THAT WAGE DISCRIMINATION IS PROFITABLE. DISCRIMINATION AT THE BOTTOM OF THE PAY SCALE DEPRESSES THE ENTIRE PAY SCALE.

THE COURTS, INDEED, HAVE BEEN SPLIT ON THE ISSUE OF WHETHER JOB EVALUATIONS CAN BE BASED ON LABOR MARKET FACTORS IN A NON-DISCRIMINATORY MANNER. THE COURT IN WASHINGTON STATE HAD THE COURAGE TO RECOGNIZE THAT THE SEEDS OF DISCRIMINATION ARE INHERENT IN CURRENT LABOR MARKETS. IF IT IS POSSIBLE TO COMPARE JOBS WITHOUT PARALLEL ELEMENTS BY A POINT-RATING SYSTEM OR OTHER MEANS, THEN IN MY VIEW, MEN AND WOMEN DOING JOBS OF COMPARABLE WORTH SHOULD BE PAID EQUALLY.

AS CHAIRMAN OF THE FEDERAL GOVERNMENT SERVICE TASK FORCE IN CONGRESS, I AM, AS YOU KNOW, DEEPLY COMMITTED TO MAINTAINING THE QUALITY OF THE FEDERAL SERVICE. I HAVE NO DOUBT THAT ESTABLISHING A STANDARD OF COMPARABLE WORTH FOR THE FEDERAL GOVERNMENT WILL MARKEDLY IMPROVE THE QUALITY OF THE FEDERAL SERVICE FOR THE FOLLOWING REASONS:

1) IT WILL CREATE GREATER OPPORTUNITY FOR ADVANCEMENT; TOO MANY FEDERALLY EMPLOYED WOMEN HAVE BEEN PIGEON-HOLED IN LOW PAYING DEAD-END JOBS.

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2) ONE OF THE MOST WASTEFUL FEATURES OF THE CURRENT FEDERAL SERVICE IS THE SAD FACT THAT PERSONAL DEVELOPMENT IS NOT EMPHASIZED AND ENCOURAGED. ELIMINATING DISCRIMINATORY PAY PRACTICES REMOVES A MAJOR TEMPTATION TO ACHIEVE SHORT-TERM SAVINGS AT THE EXPENSE OF SOUND MANAGEMENT PRACTICE.

3) RIFS, DOWNGRADINGS, REORGANIZATIONS AND OTHER FORMS OF STAFF UPHEAVAL IN RECENT YEARS HAVE FURTHER NARROWED OPPORTUNITIES FOR WOMEN FOR ADVANCEMENT IN FEDERAL SERVICE. TAKING AFFIRMATIVE STEPS TO BREAK THE STRANGLEHOLD OF DISCRIMINATION ON THE PAY SIDE OF THE EQUATION WILL PROVIDE AN IMPORTANT BOOST TO THE MORALE OF BOTH MEN AND WOMEN.

IN SHORT, COMPARABLE WORTH WILL GIVE US A STRONGER FEDERAL SERVICE.

TWO FEDERAL AGENCIES, THE GENERAL ACCOUNTING OFFICE AND THE OFFICE OF PERSONNEL MANAGEMENT (OPM), HAVE ALREADY BEGUN TO TAKE THE IMPORTANT FIRST STEPS TOWARD FEDERAL PAY COMPARABILITY. THEY ARE DEVELOPING A "POINT-FACTOR" ANALYSIS SYSTEM FOR EVALUATING JOBS. THE OFFICE OF PERSONNEL MANAGEMENT'S INTEREST, OF COURSE, STEMS MAINLY FROM A DESIRE TO REVIEW EXISTING EMPLOYEE CLASSIFICATIONS. OPM BELIEVES MOST FEDERAL JOBS ARE OVERGRADED, AND ITS EMPLOYEES OVERPAID.

IN MY VIEW, CLASSIFICATION PROBLEMS ARE A DIRECT RESULT OF THE GOVERNMENT'S INABILITY TO KEEP FEDERAL PAY SCALES IN LINE WITH PRIVATE SECTOR PAY. MANAGERS SEEKING TO RETAIN TOP EMPLOYEES HAVE ENGINEERED BETTER PAY FOR THEIR PEOPLE THROUGH THE CLASSIFICATION SYSTEM. WE SHOULD BE PARTICULARLY CAREFUL, AS I'M SURE THE CHAIR WILL AGREE, TO DEVELOP AN APPROACH TO THE ISSUE OF COMPARABLE WORTH THAT FULLY ACCOMODATES AN UPWARD RATHER THAN DOWNWARD ADJUSTMENT TOWARD PAY PARITY.

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I WOULD STRONGLY URGE, THEREFORE, THAT "SAVE PAY" PROVISIONS BECOME INCORPORATED IN YOUR APPROACH.

ACCORDING TO THE PRESIDENT'S PAY AGENT, FEDERAL EMPLOYEES ARE ALREADY 21.5% BEHIND PRIVATE SECTOR PAY. IT WOULD BE INTERESTING TO KNOW JUST HOW MUCH FURTHER FEDERALLY EMPLOYED WOMEN LAG BEHIND THE AVERAGE PRIVATE SECTOR PAY FOR COMPARABLE WORK.

OUR EXPERIENCE WITH FEDERAL NON-SEX-BASED PAY COMPARABILITY ADJUSTMENTS SUGGESTS THAT WE MUST ALSO TAKE STEPS TO ENSURE THAT CONGRESS DOES NOT SUCCUMB TO THE POPULAR TACTIC OF BENDING COMPARABILITY TO MEET THE REQUIREMENTS OF FUTURE EXERCISES IN AUSTERITY. I WOULD HOPE THAT IN TACKLING THE THORNY ISSUE OF JOB COMPARABILITY WE COULD ALSO DISCOVER TECHNIQUES THAT WOULD HELP US BRING FEDERAL PAY UP TO PRIVATE STANDARDS.

THE STATISTICAL TOOLS DEVELOPED IN WASHINGTON STATE MAY HAVE GREAT PROMISE IN THIS REGARD.

I SINCERELY HOPE THAT THE ADMINISTRATION DROPS ITS PLAN TO INTERVENE IN THE WASHINGTON STATE CASE, BECAUSE ITS RECORD ON BEHALF OF BOTH WOMEN AND FEDERAL EMPLOYEES HAS BEEN ABYSMAL. BOTH GROUPS ARE EXPECTED TO EXCELL IN THEIR PERFORMANCE IN THE LABOR FORCE, BUT NEITHER IS GIVEN ENCOURAGEMENT OR ASSISTANCE. THE LEGISLATION BEFORE THIS COMMITTEE ADDRESSES BOTH OF THESE PROBLEMS AT ONCE.

IT'S TIME WE STOPPED PAYING WOMEN $.59 FOR EVERY DOLLAR WE PAY MEN IN THE WORKFORCE. SIMILARLY, IT'S TIME WE STOPPED PAYING FEDERAL EMPLOYEES $.79 FOR EVERY DOLLAR THAT A PRIVATE EMPLOYEE MAKES. IT'S TIME FOR ALL AMERICANS TO RECEIVE A DOLLAR'S PAY FOR A DOLLAR'S WORK.

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Congress of the United States
House of Representatives
Washington, D.C. 20515

APRIL 3, 1984

TESTIMONY BEFORE THE
SUBCOMMITTEE ON COMPENSATION AND
EMPLOYEE BENEFITS

PAY EQUITY LEGISLATION

MADAM CHAIR: I AM HAPPY TO HAVE THE OPPORTUNITY TODAY TO SPEAK IN SUPPORT OF THE IMPORTANT PAY EQUITY INITIATIVES BEFORE THIS CONGRESS. I WANT TO ESPECIALLY COMMEND MY COLLEAGUES, THE CHAIR, THE GENTLELADY FROM OHIO (MS. OAKAR) AND THE GENTLELADY FROM COLORADO (MRS. SCHROEDER) FOR THEIR LEADERSHIP IN THIS IMPORTANT ISSUE OF CRITICAL IMPORTANCE TO WOMEN.

SIMPLY PUT, PAY EQUITY IS A POLICY WHICH CALLS FOR CORRECTING THE PRACTICE OF PAYING WOMEN LESS THAN MEN FOR WORK THAT REQUIRES COMPARABLE SKILL, EFFORT, RESPONSIBILITY AND WORKING CONDITIONS. PAY EQUITY IS A METHOD OF CLOSING THE WAGE GAP BETWEEN MEN AND WOMEN.

THIS WAGE GAP IS ESPECIALLY CRITICAL TODAY GIVEN THE CHANGES IN THE MARKETPLACE TODAY. TWO MILLION MORE WOMEN EACH YEAR ARE ENTERING THE WORKPLACE. THE GREAT MAJORITY OF THESE WOMEN ARE ENTERING THE WORKPLACE BECAUSE THEY HAVE TO IN ORDER TO SUPPORT THEIR FAMILIES. OVER 22% OF ALL CHILDREN NOW LIVE IN SINGLE PARENT FAMILIES; THE GREAT MAJORITY OF THESE ARE HEADED BY WOMEN.

YET THESE WOMEN, OFTEN TRAUMATIZED BY THE TRAGEDIES OF DIVORCE,

THIS STATIONERY PRINTED ON PAPER MADE WITH RECYCLED FIBERS

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WIDOWHOOD, DESERTION OR CHRONIC NONSUPPORT, ARE TWICE TRAUMATIZED BY THE REALITIES OF THEIR INADEQUATE PAY CHECKS. OVER 13 MILLION CHILDREN IN THIS COUNTRY LIVE IN POVERTY. YET, THEIR MOTHERS - OFTEN THE ONLY SOUCE OF PARENTAL SUPPORT - CANNOT EARN A SUFFICIENT WAGE TO MOVE THEM OUT OF POVERTY.

DESPITE THE PASSAGE OF THE EQUAL PAY ACT OF 1963 AND THE CIVIL RIGHTS ACT OF 1964, WOMEN STILL ONLY EARN ABOUT 60¢ TO THE DOLLAR THAT MEN EARN. TWO OUT OF EVERY THREE AMERICANS IN POVERTY ARE WOMEN. THE INSIDIOUS PERSISTENCE OF THIS GAP REFLECTS IN LARGE PART, THE OCCUPATIONAL SEGREGATION--SOME WOULD SAY "GHETTOIZATION"--OF WOMEN INTO A NARROW SPECTRUM OF LOW-PAYING JOBS. IN 1983, ABOUT 80% OF WORKING WOMEN WERE IN LOW-PAYING, LOW-STATUS, DEAD-END JOBS IN SERVICE INDUSTRIES, RETAIL STORES, FACTORIES, PLANTS AND CLERICAL OCCUPATIONS. THESE TRADITIONAL "PINK COLLAR" JOBS CONSTITUTE ONLY 20 OUT OF THE 427 OCCUPATIONS LISTED BY THE CENSUS BUREAU.

MANY STATE AND LOCAL GOVERNMENTS HAVE ALREADY BEGUN TO RESPOND TO THIS INEQUITY BY STUDYING WHETHER PREDOMINANTLY FEMALE JOBS ARE UNDERPAID RELATIVE TO THEIR WORTH. IN FACT, 18 STATES HAVE ENACTED JOB EVALUATION STUDIES TO DETERMINE TO WHAT EXTENT THE WAGE GAP BETWEEN EMPLOYEES IS A RESULT OF SEX DISCRIMINATION. IN MY OWN STATE OF MARYLAND, THE HOUSE OF DELEGATES JUST PASSED A RESOLUTION AFFIRMING THE POLICY OF COMPARABLE PAY FOR COMPARABLE VALUE. THAT RESOLUTION ALSO REQUIRES THAT THE STATE COMPENSATION PLAN BE REVIEWED AND REVISED IN ACCORDANCE WITH THE POLICY OF PAY EQUITY.

THESE IMPORTANT, RESPONSIVE INITIATIVES ARE GAINING MOMENTUM AT THE STATE AND LOCAL LEVEL. YET THERE IS AN INEXCUSABLE INACTIVITY AT THE FEDERAL LEVEL. CONGRESSIONAL ACTION WILL BOTH REAFFIRM THE

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THE LEADERSHIP DEMONSTRATED BY THESE STATES AND SERVE AS A MODEL FOR OTHER STATES AND PRIVATE EMPLOYERS. JUST AS THESE STATES HAVE TAKEN RESPONSIBILITY FOR THEIR EMPLOYEES, THE FEDERAL GOVERNMENT MUST TAKE RESPONSIBILITY FOR ITS EMPLOYEES.

INACTIVITY IS ESPECIALLY INEXCUSABLE GIVEN RECENT COURT DECISIONS WHICH ESTABLISHED THE PRECEDENCE FOR PAY EQUITY UNDER TITLE VII OF THE CIVIL RIGHTS ACT. THE RECENT WASHINGTON STATE CASE FOUND THAT TITLE VII IS NECESSARILY VIOLATED WHEN SEX IS THE BASIS FOR PAYING LOWER SALARIES TO POSITIONS PRIMARILY FILLED BY WOMEN THAN TO THOSE POSITIONS MAINLY FILLED BY MEN.

FURTHERMORE, TWO IMPORTANT SUPREME COURT CASES LAID THE FOUNDATION FOR THIS DECISION. THE COURT TWICE RULED THAT SEX-BASED WAGE DISCRIMINATION IS ILLEGAL. PROTECTION UNDER TITLE VII IS NOT LIMITED TO CLAIMS OF EQUAL PAY FOR EXACTLY EQUAL JOBS. THE ESSENTIAL FACTOR WAS NOT WHETHER THE TWO JOBS WERE THE SAME, BUT WHETHER THE PREDOMINANTLY FEMALE JOB IS PAID LESS THAN THE PREDOMINANTLY MALE JOB SOLELY ON THE BASIS OF THE SEX OF THE EMPLOYEE FILLING THAT JOB.

THE REAGAN JUSTICE DEPARTMENT, IN ITS CONTINUED EFFORTS TO UNDERMINE WOMEN'S RIGHTS, CONSIDERED CHALLENGING THE IMPORTANT LANDMARK DECISION IN THE WASHINGTON CASE. I JOINED WITH 71 OF MY COLLEAGUES IN THE CAUCUS FOR WOMEN'S ISSUES IN PROTESTING THAT ACTION BY WRITING TO THE PRESIDENT TO ENCOURAGE HIS SUPPORT. I HAVE CONTINUED MY SUPPORT OF PAY EQUITY BY JOINING AS CO-SPONSOR OF THE BILLS INTRODUCED BY CHAIR OF THIS SUBCOMMITTEE. THE FEDERAL EMPLOYEES PAY EQUITY ACT WOULD PROMOTE PAY EQUITY IN THE FEDERAL CIVIL SERVICE SYSTEM. THE PAY EQUITY ACT OF 1984 WOULD REQUIRE THE E.E.O.C., SEC. OF LABOR AND THE ATTORNEY

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GENERAL TO REPORT TO THE PRESIDENT AND TO CONGRESS ON ACTIONS TAKEN TO ENFORCE FEDERAL LAWS WHICH PROHIBIT DISCRIMINATION IN COMPENSATION.

I HAVE ALSO JOINED AS COSPONSOR OF THE GENTLELADY FROM COLORADO'S (MRS. SCHROEDER'S) BILL WHICH EXPRESSES THE SENSE OF CONGRESS CALLING FOR THE EXECUTIVE BRANCH AGENCIES TO ENFORCE EQUAL PAY LAWS IN BOTH THE PRIVATE AND PUBLIC SECTORS.

THESE ARE IMPORTANT BEGINNINGS. IT IS TIME THAT CONGRESS ACTIVELY DEMONSTRATED SENSITIVITY TO THE PERVASIVE, INSTITUTIONALIZED DISCRIMINATION TOWARD WOMEN IN THE MARKETPLACE.

OPPONENTS ARGUE THAT IT IS IMPOSSIBLE TO COMPARE DIFFERENT JOBS. BUT THE DIFFERENCES CAN BE QUANTIFIED ACCORDING TO TRAINING, EXPERIENCE, KNOWLEDGE, DECISION-MAKING POWERS, RESPONSIBILITY AND OTHER CRITERIA. OBJECTIVE STANDARDS SUCH AS THESE ARE PART OF ANY RESPONSIBLE JOB EVALUATION. THEREFORE, IT IS ONLY REASONABLE THAT THEY BE USED TO COMPARE AND CONTRAST JOBS IN ORDER TO ACHIEVE A BALANCED AND JUST PAY SCALE THROUGHOUT THE WORKPLACE.

OPPONENTS ALSO ARGUE THAT THE LAW OF SUPPLY AND DEMAND WILL DETERMINE SALARIES FAIRLY. YET, THE CRITICAL SHORTAGE OF NURSES HAS NOT RESULTED IN FAIR COMPENSATION FOR THEIR SERVICES. FOR EXAMPLE, IN 1981, A FULL-TIME R.N. EARNED AN AVERAGE OF $331 PER WEEK. THIS IS LESS THAN TICKET AGENTS, ELECTRICIANS, DRAFTERS--OCCUPATIONS WHICH BY COINCIDENCE ARE PREDOMINANTLY FILLED BY MEN.

OPPONENTS ALSO ARGUE THAT THE POLICY OF PAY EQUITY CANNOT BE IMPLEMENTED BECAUSE IT IS TOO COSTLY. OUR ANSWER MUST BE THAT COST IS NO EXCUSE FOR DISCRIMINATION! IN THE PAST, OPPONENTS FOUGHT AGAINST CHILD LABOR LAWS, THE MINIMUM WAGE, AND HEALTH AND SAFETY LAWS BECAUSE THEY TOO WERE TOO EXPENSIVE.

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IT IS TIME TO ACKNOWLEDGE THAT PAY EQUITY IS A FUNDAMENTAL CIVIL RIGHTS ISSUE. IT IS TIME THAT SEX-BASED WAGE DISCRIMINATION MUST BE OUTLAWED JUST LIKE RACE-BASED WAGE DISCRIMINATION. THE RESULTS ARE JUST AS INVIDIOUS AND DEVASTATING.

THE JOBS PERFORMED BY WOMEN ARE VITAL TO THE SUPPORT AND DEVELOPMENT OF OUR SOCIETY. IT IS TIME THEY WERE VALUED AS SUCH.

THEREFORE, I URGE MY COLLEAGUES TO SUPPORT THESE IMPORTANT MEASURES WHICH ESTABLISH THE POLICY OF PAY EQUITY AND BEGIN TO PROVIDE US WITH THE CONCRETE DATA BASE NECESSARY TO IMPLEMENT THAT POLICY.

AGAIN, I THANK YOU, MADAM CHAIR, FOR THE OPPORTUNITY OF SPEAKING IN SUPPORT OF THIS LEGISLATION AND COMMEND YOU FOR YOUR LEADERSHIP ON THIS IMPORTANT ISSUE.

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STENY H. HOYER
5TH DISTRICT, MARYLAND

Congress of the United States
House of Representatives
Washington, D.C. 20515

APPROPRIATIONS COMMITTEE
TREASURY, POSTAL SERVICE, GENERAL GOVERNMENT
LABOR, HEALTH AND HUMAN SERVICES, EDUCATION

STATEMENT ON PAY EQUITY FOR WOMEN

BY CONGRESSMAN STENY H. HOYER

In the past 30 years, 60 percent of the people newly entering the labor force in this country have been women; and it is anticipated that in each year of the next decade one million additional women will join them. More than half are women with children under 18.

These official statistics reflect the notion that this so-called "flood" of women into the marketplace is a relatively recent phenomenon. The truth of the matter is that women have always worked; they just have not always been fairly compensated for their labor.

As far back as 1870, close to 30 percent of the households in Baltimore, Maryland, relied in some way on female-generated income. By 1900 that number had risen to 40 percent. While the number of women in the compensable labor force has almost doubled in the past 44 years, the reason for this entry has remained relatively the same - economic necessity.

Despite the rapid growth of women in the labor force, they still remain concentrated in certain industries and occupations, earning substantially less than their male counterparts. The majority of working women fill only 20 percent of the 441 occupations listed in the census occupational classification system; 80 percent in four job fields -- clerical work, service industries, retail sales and factories and plants.

Of the ten lowest paid occupations, six are 90 percent filled by women -- 84 percent of our health aides are women; 85 percent are nurses aides; 63 percent are cooks; and 13 percent are farm laborers.

Today the median wage for full-time women workers is $12,172. For full-time men it is $20,682. Using these statistics, it takes women nine days to gross what men gross in five -- and the federal government is no exception, where the average salary for men is $30,553 and for women it is $15,579 -- little more than half.

I know that I need not go any further with these statistics, but they <u>are</u> staggering. Women are not marginal workers and can no longer be regarded as a limitless pool of cheap labor.

Occupational segregation is extreme and it is persistent. Within the federal government, there is a statistically significant inverse correlation between sex and salary in the general schedule and equivalent grade. But it is not only the federal government that shows this segregatio

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We need go no further than to make a cursory examination of the crisis in this country's educational system. The teachers of this country have been predominantly women, and, as such, our educators have historically been underpaid. Despite the fact that we entrust the intellectual instruction of our children to them; despite the requisite skills, demanding responsibilities and extensive training we demand of our educators; and because it is an occupation historically filled by women, teaching has become a second class job and one vastly undervalued.

We are now being forced to see the long-range effects of this occupational segregation as our most qualified and educated women look to other, more highly paid fields of endeavor.

This phenomenon is not unique to education. More and more women are rapidly entering areas previously dominated by men -- law, medicine, politics, space exploration, engineering -- where they can be more fairly and equitably compensated.

Sex discrimination is clearly costly in the long run. For what we see happening is that jobs traditionally filled by women -- jobs undervalued precisely for that reason will become harder and harder to fill with quality people as our top-notch women seek careers that are more financially rewarding.

In the landmark school desegregation case, Brown v Board of Education, a unanimous court stated that segregation and equality cannot co-exist. This applies equally to occupational segregation which has invariably led to wage discrimination.

Which brings me to the real issue we are confronting today -- sex discrimination. It is invidious and devastating, and is pervasive throughout our society.

We at the federal level have an opportunity to do something about this discrimination, and not only by adopting needed legislation. We must begin with the federal system. We must look at the federal classification system and make position-to-position comparisons across classification group lines. The federal government should be a model for others to follow. This is true as well for our state and county governments.

Putting an end to exploitation is not without costs. Pay equity is a difficult issue. We are confronted with an administration intent on diluting the scope and strength of existing civil rights laws, and one that has steadily retreated from enforcement of those laws.

But obstacles cannot and must not be a consideration in promoting and enforcing civil rights.

Madame Chair, by assuming the leadership role in promoting pay equity and by vigorously pursuing the inequities resulting from discrimination in our society, you are proving that the barriers will be overtaken, the course made smooth and less difficult. I am certain that with your leadership and commitment, and the leadership and commitment of all of us here today, we will succeed.

The bottom line on the issue of equal pay for comparable work is nothing more, and nothing less, than the issue of equal rights for women.

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Mondale for President
2201 Wisconsin Avenue, N.W.
Washington, D.C. 20007
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MONDALE

STATEMENT OF JOAN A. MONDALE

PAY EQUITY HEARINGS

WASHINGTON, D.C. -- APRIL 3, 1984

Thank you, Chairwoman Oakar. It is an honor to appear before your Subcommittee this morning. By focusing on pay equity, you are addressing an issue of deep, personal concern to me and to my husband. Pay equity is one of the most fundamental issues of economic justice in our time.

More than twenty years ago, when Congress enacted the Equal Pay Act, the average full-time woman worker earned about 60 cents for every dollar earned by a man. Since then, we have sent astronauts to the moon and cracked the genetic code -- but we have not narrowed the gender gap in the wages of American workers.

Today, we must confront this fundamental breach of economic justice. The bills you are considering would require the federal government -- our nation's largest employer -- to abide by its own laws. They would have a tremendous impact on the more than one million women who work for the federal government, and could be a first step toward changing the policies of private employers.

These bills would build upon other recent steps toward pay equity. As Vice President, my husband was proud to work for passage of the Civil Service Reform Act, which required equal pay for work of equal value in federal jobs. And he was proud to work for the signing of an Executive Order that prohibited gender-based discrimination by federal contractors.

In his Presidential campaign, my husband has also proposed a five-point plan that would continue his fight for pay equity. His plan includes: directing the Equal Employment Opportunity Commission to publish guidelines on what constitutes gender-based wage discrimination; reviewing the federal wage scale to eliminate such discrimination; establishing a federal pay equity clearinghouse; and, perhaps most important, making the Oval Office a place of moral leadership for pay equity.

Pay equity is a family issue and a poverty issue. It is an aging issue -- because retirement benefits are often based on wages. It is a racial issue -- because black and Hispanic working women are plagued by poverty far more often than men or white women. But above all, it is an issue of human dignity.

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There is no one in America more qualified to address this last point than Glennis Ter Wisscha. She is one of the Willmar Eight, a group of eight Minnesota women so outraged by the injustice of wage discrimination that they sacrificed their jobs, their livelihoods, and four years of their lives to fight it. In today's hearing, you'll hear a lot of statistics and explanations. But I doubt if you'll hear anything more compelling than what Ms. Ter Wisscha has to say. Hers is the story of millions of American women who must suffer the pain of being paid less than they know they are worth.

As a woman, as the mother of a daughter who is just starting her career, and as someone who has talked with thousands of American women over the past year, I applaud your efforts today as the first step toward ensuring that the story of the Willmar Eight is not repeated in the future. Thank you.

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(MARTHA KEYS)

HART PAY EQUITY TESTIMONY
April 3, 1984

Thank you for inviting me here today, Congresswoman Oakar. You and your committee are to be commended for your efforts to assure equitable wages for all Americans. And there is no more important issue before us in that struggle than the issue of pay equity -- in the Federal sector of employment as well as in public and private sector workplaces throughout this country.

You have asked me to testify today as a candidate for President of the United States and I shall couch my comments to you and to the working women of this country in that context.

President Reagan consistently characterizes the record of his administration in terms of what he has done to restore the economy, to bolster the American family and to return to a higher sense of morality.

But his words carry a ring of incredible hypocrisy for the 49 million working women in the United States.

They know there is no greater moral issue in this country than institutionalized wage discrimination against women and minorities.

They know there is no greater family issue than the poverty forced on families headed by women by a sex-segregated system of employment.

They know there is no greater economic issue than simple pay equity and their right to be compensated for their work based on skills and responsibilities and effort and working conditions rather than on sex or color.

And they know the Reagan record on these issues is one of purposeful failure to lead, purposeful failure to respond to needs, purposeful failure to enforce the law.

In the last 30 years, the number of women in the labor force has more than doubled, while the number of men has increased by only one-quarter. Yet the basic ratio of female to male earnings has not changed.

The responsibilities of women, however, have changed drastically. Nearly 75 percent of working women are single, divorced or living with a man who makes less than $15,000 per year.

Our modern society has assigned more than equivalent responsibiliti to women; but we do not pay wages to women that are equivalent to those paid to men performing jobs which require similar skill, responsibility, effort and working conditions.

The result is that forty-nine percent of female-headed households are below the poverty line. And in the last 20 years, the number of persons in poor families headed by women of color has increased by more than 50 percent.

From 1953 to 1983, the number of women in the labor force increased from a little over 19 million to well over 48 million. The percentage of women working increased from 34 percent to 53 percent, and the percentage of working married women with children under the age of six grew from 15.5 percent to an amazing 50 percent. The number of households maintained by females increased from 4 million in 1953 to 10 million in 1983.

These statistics represent fundamental changes in both the labor market, and in the roles of women in our society.

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Yet during this same thirty year period, women's earnings as a percentage of men's earnings actually decreased, from 63.9 percent to 61 percent.

With this recalcitrant wage gap, it is no surprise that having a job is far less likely to protect a woman than a man from poverty.

Looking at the 1982 Census Bureau figures, in the second chart, you can see that 22 percent of households headed by working women -- women with jobs -- are poor. And when you look only at families with children headed by working women, 29 percent are poor.

You can compare that to a 6 percent poverty rate overall for families where the head of the household works, but is not a working woman.

These figures translate into a stark reality in which a woman heading a family is nearly six times more likely to be poor than a man. A black woman heading a family is 10 times more likely to be poor than a white man, an Hispanic woman 11 times more likely.

And what has been the Reagan Administration's response to this kind of "progress"?

The landmark Supreme Court decision in the Gunther case opened the door to progress in pay equity through new litigation nearly three years ago.

It is a door that has collected cobwebs while standing ajar, waiting on an Administration unwilling to help working women cross the threshold to non-discriminatory earnings.

The response of the EEOC to Gunther was what it calls an "interim policy" to provide their field staff with guidelines on the processing of wage discrimination charges.

Three years later, EEOC has yet to promulgate permanent guidelines or a plan for testing the parameters of Title VII. The "interim" guidelines have been renewed over and over--but are not being followed by the EEOC and most EEOC field staffers don't even know they exist.

The EEOC under Reagan has not filed a single pay equity legal action under Title VII. Only in the last month, in response to Congressional hearings, has the EEOC even begun to consider the pile-up of charges filed since the Gunther decision.

Even worse, the Reagan Justice Department has threatened to roll back gains won by working women through litigation. Assistant Attorney General for Civil Rights William Bradford Reynolds announced opposition to the historic Washington State pay equity decision earlier this year without even reading transcripts of the case.

As an employer, the Federal government has taken absolutely no steps to eliminate bias in its pay system, even though the wage gap in the Federal sector is a known fact, with women earning less than 63 percent of the wages that men who work for the Federal government earn. I believe you were part of the committee, Madame Chairperson, which found, in examining the relationship between the percentage of men in an occupation in the Federal sector and the average salary of that occupation, that for each additional percentage point of men in the job category the average annual salary increases by $176.

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Further, affirmative action regulations under the office of Federal Contract Compliance Programs which prohibit race and sex discrimination by Federal contractors have been eliminated.

Fortunately, the various states of our union are not all under Reagan control. Seventeen states have undertaken job evaluation studies of their civil service systems. More than half of the states have conducted extensive research into the sources of wage discrimination. Other states have approached the need for pay equity with creative legislation and policy solutions.

Many, many labor unions are bargaining successfully for pay equity and providing the funds and expertise for more and more legal actions.

It is possible. And it is being done. But it is being done without the help of the Federal government.

It is unthinkable, given the need and the demand for pay equity, that our nation's largest employer and the chief enforcer of our laws is providing no leadership on pay equity, ignoring its statutory obligation to enforce Title VII of the Civil Rights Act and actually engaging in sex-based wage discrimination as an employer.

What has been President Reagan's response to the demand for pay equity?

His Administration has steadfastly responded that if women want to earn more money, they should enter male-dominated job categories.

My response -- and that of the laws of this land -- are that working women have the right to compensation free from discrimination in whatever job they hold.

To accomplish pay equity through job resegregation would require two out of three people in this country to change jobs and require women to give up years of seniority and experience in jobs they may want to work in.

No. What we should be doing is removing discrimination from all jobs, not generating simplistic rhetoric and ignoring the constitution of the United States.

What would Gary Hart do differently as President of the United States?

Let me say that my ideas on the subject of pay equity aren't very new. They are the same ideas I've fought for during my entire time in the Senate. They are the same ideas I testified on before you two years ago, Congresswoman Oakar.

They are ideas rooted in the straightforward belief that women should be paid equal wages for work of equal or comparable worth.

As President, I will provide the leadership and the muscle if necessary, to force the Federal government to fulfill its responsibility to working women.

I will enforce Title VII of the Civil Rights Act and the Executive Order prohibiting wage discrimination based on sex.

I will appoint to the EEOC, the OFCCP, the Justice Department, the Department of Labor, the Office of Personnel Management and to other responsible Federal agencies, only individuals who are committed to aggressively eliminating wage discrimination and to the concept of pay equity as I just outlined.

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I will instruct the EEOC to immediately develop and implement a litigation plan for pay equity and to provide extensive direction and training to their field staff in the processing of wage discriminati charges.

I will instruct the Attorney General of the United States to fully support any and all litigation in the area of pay equity and wage discrimination and I will personally dismiss the attorney general if she or he does not carry out my orders fully.

No backsliding. No hesitation. No delays.

As President, I will personally see to it that the Federal government takes the lead as an employer by evaluating the Federal sector position classification system to determine if it contains bias, and by developing a bias-free evaluation system.

I have reviewed the many positive steps so many state and local governments and labor unions have taken to win pay equity for working women. It seems clear to me that in almost every instance, there was a committed individual who personally saw to it that the demand for equity was met.

I want to know that in Gary Hart you have such an individual. One who has the commitment and the sensitivity to make it happen on a national scale.

In the Oval Office. In the Senate. Yesterday. Today. Tomorrow.

Thank you.

END

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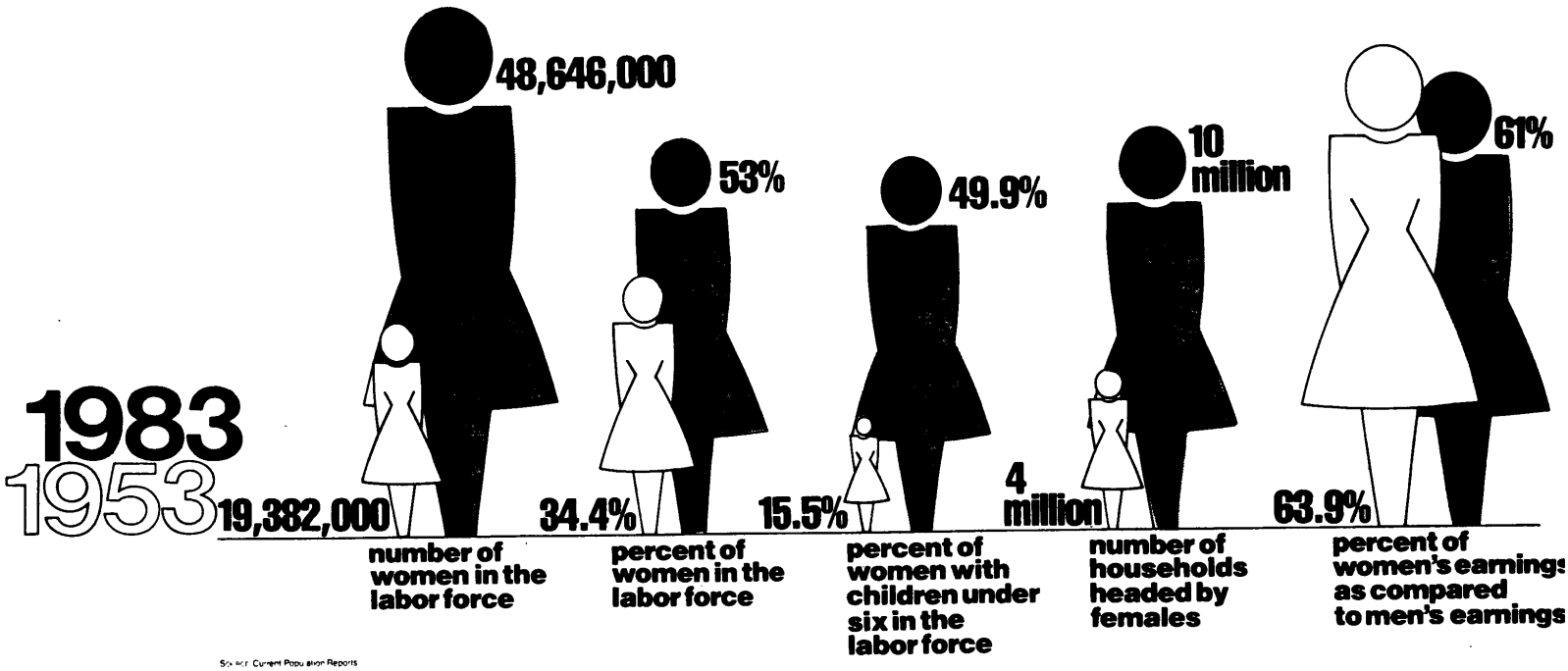
30 YEARS OF PROGRESS



Source: Current Population Reports

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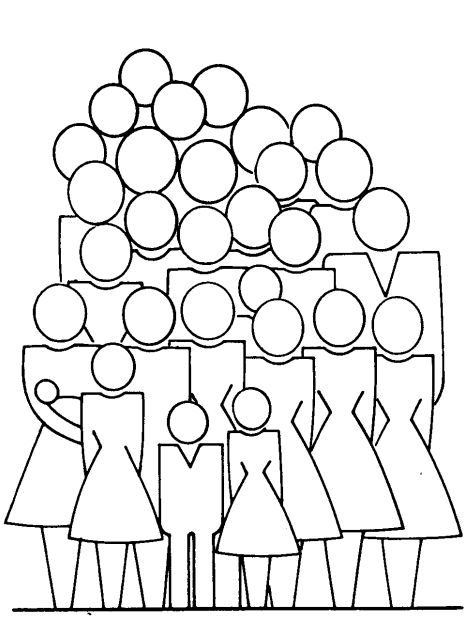
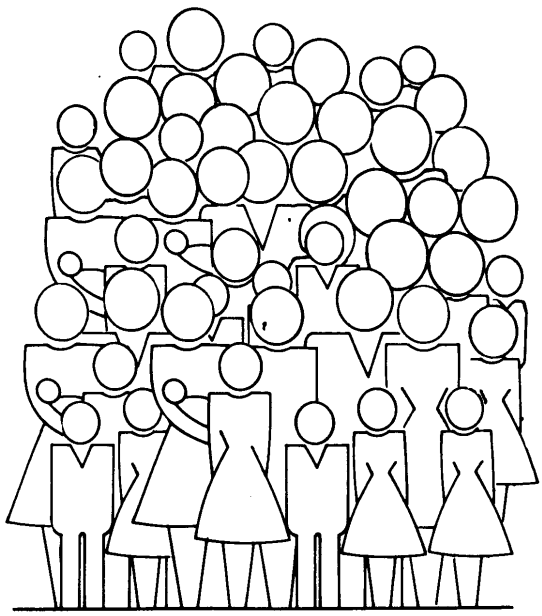
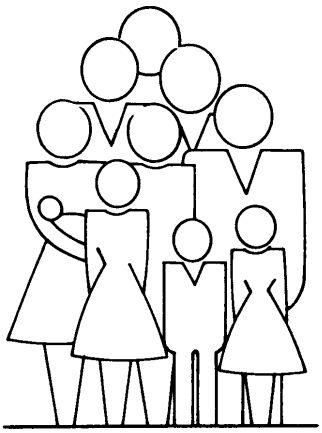
Having a job is far less likely to protect a female from poverty



22% of families headed by working women are poor



29% of families with children headed by working women are poor



6% of families where head of house is employed and not female are poor

Source: U.S. Bureau of Census

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Statement of Rep. Patricia Schroeder
Before the Subcommittee on Compensation and Employee Benefits
Committee on Post Office and Civil Service
At Hearings on H.R. 4599, the Federal Employees' Pay Equity Act of 1984, and H.R. 5092, the Pay Equity Act of 1984
April 3, 1984

I am delighted to be testifying today in support of H.R. 4599, the Federal Employees' Pay Equity Act of 1984 and H.R. 5092, the Pay Equity Act of 1984. Chairwoman Oakar has turned the subcommittee's attention to the Administration's abysmal record on pay equity -- and the need for a prod from this end of Pennsylvania Avenue.

The Reagan Administration has done a bad job in enforcing civil rights generally; it has done an especially bad job in enforcing the law on pay equity. In its dual roles as the enforcer of anti-discrimination laws and as the country's largest single employer, the federal government sets an example for the rest of the country. When that example is "do nothing," we risk losing pay equity to the drag of inertia.

This Administration wants women to follow the opposite of John Mitchell's famous dictum: "Watch what we do, not what we say." The Administration wants us to listen to their soothing words, but ignore their paralysis on pay equity. Women won't be fooled; after all, we are the biggest consumers of cosmetics. We know the difference been what is real and what is cosmetic.

Pay equity is a fundamental civil rights issue. Wage discrimination based on sex keeps women's wages 41 percent below men's wages. Segregation of women into low-paying, low-status, dead-end jobs is a major contributing factor to the feminization

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of poverty, a trend which should concern us all quite deeply.

Chairwoman Oakar's two pay equity bills are some of the most important pieces of feminist legislation before the Subcommittee, ranking along with H.R. 2300, which would provide fair retirement and survivor benefits to divorced spouses of Civil Service employees, and H.R. 656, which would protect divorced spouses from the automatic loss of health insurance coverage.

Twenty years ago, in Title VII of the Civil Rights Act of 1964, Congress prohibited wage discrimination against women. In that law, Congress made it clear that it is illegal for an employer to pay women less than men to perform jobs requiring comparable skill, effort, and responsibility. In 1981, the United States Supreme Court upheld that law in its decision in Gunther v. County of Washington. Yet, the federal government has failed to make any effort to eliminate wage discrimination. The Equal Employment Opportunity Commission, the Justice Department, the Office of Personnel Management, and the Department of Labor have all sat on their hands.

For this reason, on January 25th I introduced the Pay Equity Resolution, which currently has 75 co-sponsors. H.Con.Res. 244 condemns the administration for its failure to enforce Title VII of the Civil Rights Act of 1964. It is a sense-of-Congress resolution calling on executive branch agencies to enforce the law, both in the public sector and the private sector. The resolution sends a clear statement of congressional intent to the agencies that are charged with enforcing the law.

Madame Chairwoman, your hearings come at a time when the

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Reagan Administration is considering whether to intervene in the appeal of a landmark pay equity case, AFSCME v. State of Washington. On December 14, 1983, U.S. District Court Judge Tanner ruled that Washington State had violated Title VII by discriminating against women in setting wages. I believe the decision was right as a matter of law.

I wrote to President Reagan urging him not to challenge the AFSCME decision. I received a non-committal reply from William Bradford Reynolds.

The Administration's reaction to AFSCME's pay equity case is troubling for two reasons. First, the facts show that Washington State had clearly discriminated against its women employees in setting wages. The Administration cannot pay lip service to the concept of pay equity and then challenge a decision putting that concept into effect. Second, AFSCME's wage discrimination complaint was presented to the EEOC on September 16, 1981. If EEOC had done its job then, the Washington State employees might not have had to take their case to court.

During the 1982 joint hearings which we co-chaired along with Rep. Ferraro, questions were raised concerning the Administration's commitment to putting pay equity into practice. The federal government's job evaluation and classification process, while sex-neutral in theory, carries with it the private sector's baggage regarding the value of work traditionally done by women. I'm glad to see your bills address this problem.

Pay equity is the major economic issue for women in this decade. Yet the Administration has sidestepped criticism of its

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paralysis on pay equity by pointing to federal action on the narrower issue of intentional wage discrimination. This is unacceptable. Pay equity has a broad scope, holding out the promise that women will be paid fair wages based on the value of their work. Eradicating intentional wage discrimination is a part of that promise; but we won't settle for anything less than the full amount.

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STATEMENT OF

DR. DONALD J. DEVINE

U.S. OFFICE OF PERSONNEL MANAGEMENT

BEFORE THE
SUBCOMMITTEE ON COMPENSATION AND EMPLOYEE BENEFITS
OF THE
COMMITTEE ON POST OFFICE AND CIVIL SERVICE
U.S. HOUSE OF REPRESENTATIVES

ON THE

FEDERAL EMPLOYEES PAY EQUITY ACT OF 1984
AND THE PAY EQUITY ACT OF 1984

APRIL 3, 1984

MADAM CHAIRWOMAN AND MEMBERS OF THE SUBCOMMITTEE, I WOULD LIKE TO THANK YOU FOR THE OPPORTUNITY TO ADDRESS THE SUBCOMMITTEE ON H.R. 4599, AND INDIRECTLY ON H.R. 5092.

FIRST, I WANT TO MAKE ABUNDANTLY CLEAR THAT THIS ADMINISTRATION IS FULLY COMMITTED TO EQUAL PAY FOR EQUAL WORK. I WOULD ALSO LIKE TO POINT OUT AT THE OUTSET THAT THE STATUTES CONTROLLING PAY ALREADY REQUIRE EQUAL PAY FOR SUBSTANTIALLY EQUAL WORK. THE SYSTEM FOR EVALUATING POSITIONS IN THE FEDERAL SERVICE, WHICH I WILL DESCRIBE IN SOME DETAIL, IS DESIGNED TO INSURE THAT THE PRINCIPLES SET FORTH BY THE CONGRESS IN LAW ARE CARRIED OUT. ABOUT 1600 OPM EMPLOYEES WORK IN OUR STAFFING GROUP, WHICH PERFORMS RECRUITING, EXAMINING, AND JOB STANDARDS FUNCTIONS, AND MAKES UP MORE THAN 25 PERCENT OF OPM'S TOTAL EMPLOYMENT. THE MAJOR ASSUMPTION OF H.R. 4599 IS THAT SALARY DISCRIMINATION IS PREVALENT IN THE FEDERAL GOVERNMENT WAGE SYSTEM. IF THIS IS TRUE, THE PRESENT SYSTEM IS ALREADY AT VARIANCE WITH THE LAW.

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I BELIEVE IT WOULD BE USEFUL TO FIRST OUTLINE THE LEGAL PRINCIPLES UNDER WHICH THE FEDERAL SYSTEM WORKS.

- SECTION 2301 OF TITLE 5 OF THE UNITED STATES CODE ESTABLISHES THE MERIT SYSTEM PRINCIPLES UNDER WHICH THE WHOLE PERSONNEL SYSTEM OPERATES. THESE PRINCIPLES REQUIRE EFFICIENT AND FAIR PERSONNEL MANAGEMENT, AS WELL AS SPECIFIC REQUIREMENTS WHICH DEAL DIRECTLY WITH OUR TOPIC TODAY. PARTICULARLY PERTINENT ARE MERIT PRINCIPLE NUMBER (2), WHICH REQUIRES FAIR AND EQUITABLE TREATMENT OF ALL EMPLOYEES AND APPLICANTS, AND PRINCIPLE NUMBER (3) WHICH STATES: "EQUAL PAY SHOULD BE PROVIDED FOR WORK OF EQUAL VALUE, WITH APPROPRIATE CONSIDERATION OF BOTH NATIONAL AND LOCAL RATES PAID BY EMPLOYERS IN THE PRIVATE SECTOR, AND APPROPRIATE INCENTIVES AND RECOGNITION SHOULD BE PROVIDED FOR EXCELLENCE IN PERFORMANCE."

- SECTION 5101 OF TITLE 5 STATES,

  "IT IS THE PURPOSE OF THIS CHAPTER TO PROVIDE A PLAN FOR CLASSIFICATION OF POSITIONS WHEREBY --

  (1) IN DETERMINING THE RATE OF BASIC PAY WHICH AN EMPLOYEE WILL RECEIVE --

  (A) THE PRINCIPLE OF EQUAL PAY FOR SUBSTANTIALLY EQUAL WORK WILL BE FOLLOWED; AND

  (B) VARIATIONS IN RATES OF BASIC PAY PAID TO DIFFERENT EMPLOYEES WILL BE IN PROPORTION TO SUBSTANTIAL

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DIFFERENCES IN THE DIFFICULTY, RESPONSIBILITY, AND QUALIFICATION REQUIREMENTS OF THE WORK PERFORMED AND TO THE CONTRIBUTIONS OF EMPLOYEES TO EFFICIENCY AND ECONOMY IN THE SERVICE; AND

(2) INDIVIDUAL POSITIONS WILL, IN ACCORDANCE WITH THEIR DUTIES, RESPONSIBILITIES, AND QUALIFICATION REQUIREMENTS, BE SO GROUPED AND IDENTIFIED BY CLASSES AND GRADES, AS DEFINED BY SECTION 5102 OF THIS TITLE, AND THE VARIOUS CLASSES WILL BE SO DESCRIBED IN PUBLISHED STANDARDS, AS PROVIDED BY SECTION 5105 OF THIS TITLE, THAT THE RESULTING POSITION-CLASSIFICATION SYSTEM CAN BE USED IN ALL PHASES OF PERSONNEL ADMINISTRATION."

° SECTION 5105 OF TITLE 5 STATES,

"(A) THE OFFICE OF PERSONNEL MANAGEMENT, AFTER CONSULTING THE AGENCIES, SHALL PREPARE STANDARDS FOR PLACING POSITIONS IN THEIR PROPER CLASSES AND GRADES. THE OFFICE MAY MAKE SUCH INQUIRIES OR INVESTIGATIONS OF THE DUTIES, RESPONSIBILITIES, AND QUALIFICATION REQUIREMENTS OF POSITIONS AS IT CONSIDERS NECESSARY FOR THIS PURPOSE. THE AGENCIES, ON REQUEST OF THE OFFICE, SHALL FURNISH INFORMATION FOR AND COOPERATE IN THE PREPARATION OF THE STANDARDS. IN THE STANDARDS, WHICH SHALL BE PUBLISHED IN SUCH FORM AS THE OFFICE MAY DETERMINE, THE OFFICE SHALL--

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(1) DEFINE THE VARIOUS CLASSES OF POSITIONS IN TERMS OF DUTIES, RESPONSIBILITIES, AND QUALIFICATION REQUIREMENTS;

(2) ESTABLISH THE OFFICIAL CLASS TITLES; AND

(3) SET FORTH THE GRADES IN WHICH THE CLASSES HAVE BEEN PLACED BY THE OFFICE.

° SECTION 5104 OF TITLE 5, USC, DEFINES IN GENERAL TERMS THE LEVEL OF DUTIES AND RESPONSIBILITIES FOR EACH GENERAL SCHEDULE GRADE 1 THROUGH 18. TO IMPLEMENT THIS LEGALLY ESTABLISHED POLICY ON GRADE DIFFICULTY AND RESPONSIBILITY LEVELS, WE HAVE A JOB EVALUATION SYSTEM AND CLASSIFICATION STANDARDS, WHICH I WOULD LIKE TO DISCUSS IN SOME DETAIL.

THE GENERAL SCHEDULE INCLUDES ABOUT 1.4 MILLION EMPLOYEES. GS POSITIONS ARE LOCATED IN ALMOST ALL FEDERAL AGENCIES AND INCLUDE A GREAT DIVERSITY OF OCCUPATIONS RANGING FROM MESSENGERS AND CLERKS TO HIGHLY SKILLED PROFESSIONALS IN SUCH FIELDS AS ECONOMICS, LAW, ACCOUNTING, THE SOCIAL, MEDICAL, BIOLOGICAL, AND PHYSICAL SCIENCES, ENGINEERING, EDUCATION, MANAGEMENT, AND ADMINISTRATION.

THE PRIME METHODOLOGY USED TO EVALUATE GS POSITIONS IS CALLED THE FACTOR EVALUATION SYSTEM (FES) FOR NONSUPERVISORY POSITIONS GS-1 THROUGH GS-15. FES WAS DEVELOPED IN THE 1970'S AND IMPLEMENTED IN 1975 IN RESPONSE TO THE JOB EVALUATION POLICY ACT OF 1970, WHICH IDENTIFIED A NUMBER OF CONCERNS RELATED TO EQUITY AND CONSISTENCY IN THE EVALUATION OF FEDERAL POSITIONS.

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FES HAS NINE FACTORS AND FROM 3 TO 9 LEVELS DEFINED FOR EACH FACTOR. THESE FACTORS, ALONG WITH THEIR NUMBER OF FACTOR LEVELS AND POINT RANGES, ARE:

FACTOR 1, KNOWLEDGE REQUIRED BY THE POSITION (9 LEVELS, 50 TO 1850 POINTS)
FACTOR 2, SUPERVISORY CONTROLS (5 LEVELS, 25 TO 650 POINTS)
FACTOR 3, GUIDELINES (5 LEVELS, 25 TO 650 POINTS)
FACTOR 4, COMPLEXITY (6 LEVELS, 25 TO 450 POINTS)
FACTOR 5, SCOPE AND EFFECT (6 LEVELS, 25 TO 450 POINTS)
FACTOR 6, PERSONAL CONTACTS (4 LEVELS, 10 TO 110 POINTS)
FACTOR 7, PURPOSE OF CONTACTS (4 LEVELS, 20 TO 220 POINTS)
FACTOR 8, PHYSICAL DEMANDS (3 LEVELS, 5 TO 50 POINTS)
FACTOR 9, WORK ENVIRONMENT (3 LEVELS, 5 TO 50 POINTS)

IN UTILIZING FES, POSITIONS ARE POINT-RATED FACTOR LEVEL-BY-FACTOR LEVEL AND THE FOLLOWING POINT RANGES ARE USED TO CONVERT A POSITION'S TOTAL POINT SCORE TO A GS GRADE.

GS GRADE	RANGE
1	190-250
2	255-450
3	455-650
4	655-850
5	855-1100
6	1105-1350
7	1355-1600
8	1605-1850
9	1855-2100

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10	2105-2350
11	2355-2750
12	2755-3150
13	3155-3600
14	3605-4050
15	4055-4480

EACH OF THE 45 FACTOR LEVELS IN THIS NINE FACTOR SYSTEM IS DEFINED IN A PRIMARY STANDARD BY A SHORT PARAGRAPH. SINCE THE FEDERAL GOVERNMENT OPERATES A HIGHLY DECENTRALIZED CLASSIFICATION SYSTEM, A GENERALLY WRITTEN PRIMARY STANDARD FACTOR LEVEL DEFINITION HAS NOT, IN THE PAST, BEEN DEEMED TO BE SPECIFIC ENOUGH TO INSURE UNIFORM GRADING BY THE APPROXIMATELY 2,000 POSITION CLASSIFICATION SPECIALISTS, WORLDWIDE, WHO UTILIZE THE SYSTEM TO EVALUATE 1.4 MILLION POSITIONS IN HUNDREDS OF ORGANIZATIONAL LOCATIONS. THUS, THE U.S. OFFICE OF PERSONNEL MANAGEMENT INTERPRETS THE PRIMARY STANDARD'S FACTOR LEVELS BY DESCRIBING THEM IN <u>SPECIFIC</u> OCCUPATIONAL TERMS. THESE DESCRIPTIONS, ALONG WITH OTHER GUIDANCE, ARE FOUND IN INDIVIDUAL PUBLISHED CLASSIFICATION STANDARDS.

OCCUPATIONAL CLASSIFICATION STANDARDS ALSO INCLUDE BENCHMARK POSITION DESCRIPTIONS. BENCHMARKS ARE POSITION DESCRIPTIONS WHICH ARE OFFICIALLY CLASSIFIED BY THE OFFICE OF PERSONNEL MANAGEMENT. EACH BENCHMARK CONTAINS A SUMMARY DUTY STATEMENT AND A FURTHER INTERPRETATION OF EACH OF THE FES FACTORS, WRITTEN IN TERMS OF POSITIONS WHICH ARE FOUND IN SIGNIFICANT NUMBERS IN THE OCCUPATION.

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THUS, WHILE OPM OCCUPATIONALLY INTERPRETS THE POSITION CLASSIFICATION STATUTE AND THE FES PRIMARY STANDARD THROUGH THE DEVELOPMENT AND ISSUANCE OF STANDARDS, AGENCIES EVALUATE THEIR POSITIONS BY APPLYING THE CLASSIFICATION STANDARDS.

AS YOU CAN SEE, THE EXISTING SYSTEM IS THAT SUMMARIZED IN SECTION 3(4) OF H.R. 4599, INCLUDING THE GUARANTEE OF EQUAL PAY FOR SUBSTANTIALLY EQUAL WORK.

ALL OF THESE PARTS OF THE FEDERAL SYSTEM -- THE STATUTE, THE PRIMARY STANDARD, OCCUPATIONAL FACTOR LEVEL DESCRIPTIONS, OCCUPATIONAL BENCHMARKS -- COMPRISE AN INTERLOCKING JOB EVALUATION SYSTEM.

THE FOCAL POINT OF FEDERAL JOB EVALUATION, THEN, IS CLASSIFICATION STANDARDS. STANDARDS CONTAIN THE HIGHLY SPECIFIC MEASURES AGENCIES NEED TO GRADE THEIR POSITIONS. INCLUDED IN STANDARDS ARE THE OCCUPATIONALLY BASED FACTOR LEVEL DESCRIPTIONS WHICH INTERPRET THE PRIMARY STANDARD'S FACTOR LEVELS, BENCHMARKS COVERING FROM THREE TO TWENTY POSITIONS DEPENDING ON THE OCCUPATIONS' COMPLEXITY AND DIVERSITY, AND A HOST OF OTHER GUIDANCE MATERIALS.

IN THE COURSE OF AN OCCUPATIONAL STUDY, THE OCCUPATIONAL SPECIALIST DEVELOPS EXTENSIVE AND DETAILED INFORMATION REGARDING THE WORK OF THE OCCUPATION AND HOW IT IS DONE, LEVELS OF WORK, THE KNOWLEDGES, SKILLS AND ABILITIES REQUIRED TO DO THE WORK OF EACH LEVEL AND SPECIALIZATION, AND THE RELATIONSHIP OF THE WORK TO OTHER OCCUPATIONS. THESE FACTS AND JUDGMENTS ARE OBTAINED FROM KEY MANAGEMENT OFFICIALS

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AND SUPERVISORS, EMPLOYEES AT VARIOUS LEVELS IN THE OCCUPATION, PERSONNEL OFFICIALS AND SPECIALISTS, PROFESSIONAL AND TECHNICAL SOCIETIES, UNIONS AND OTHER ORGANIZED GROUPS, REPRESENTATIVES OF THE ACADEMIC COMMUNITY, INDUSTRY, AND OTHERS.

THIS BODY OF INFORMATION FORMS THE BASIS FOR A DRAFT CLASSIFICATION AND QUALIFICATION STANDARD WHICH:

-- DESCRIBES THE LEVELS OF DIFFICULTY AND RESPONSIBILITY IN THE OCCUPATION,
-- IDENTIFIES THOSE LEVELS WITH GRADE LEVELS DEFINED IN SECTION 5104, TITLE 5,
-- DESCRIBES THE KNOWLEDGES, SKILLS AND ABILITIES REQUIRED TO ENTER THE OCCUPATION, AND THOSE REQUIRED AT VARIOUS HIGHER LEVELS,
-- IDENTIFIES THE KINDS AND LEVELS OF EDUCATION, EXPERIENCE, AND TRAINING WHICH PROVIDE THE REQUIRED KNOWLEDGES, SKILLS AND ABILITIES.

DRAFT STANDARDS ARE ISSUED FOR REVIEW AND COMMENT BY AGENCIES, UNIONS, AND OTHER INTERESTED PARTIES. THIS CRITICAL REVIEW OF DRAFT STANDARDS IS A VITAL PART OF THE PROCESS. THE COMMENTS RECEIVED ARE CAREFULLY REVIEWED AND APPROPRIATE CORRECTIONS OR CLARIFICATIONS ARE MADE SO THAT THE FINAL STANDARDS ISSUED ARE ACCURATE AND CAN BE APPLIED CONSISTENTLY. THE MANAGEMENT OF EACH AGENCY APPLIES THESE STANDARDS IN CLASSIFYING JOBS WITHIN THAT AGENCY.

H.R. 4599 PROPOSES THAT OPM ESTALISH AN EQUITABLE JOB EVALUATION TECHNIQUE. THE BILL DEFINES A JOB EVALUATION TECHNIQUE AS "AN

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OBJECTIVE METHOD OF DETERMINING THE COMPARATIVE VALUE OF DIFFERENT JOBS UTILIZING A SYSTEM WHICH RATES NUMERICALLY THE BASIC FEATURES AND REQUIREMENTS OF A PARTICULAR JOB, INCLUDING SUCH FACTORS AS EDUCATION, TRAINING, SKILLS, EXPERIENCE, EFFORT, RESPONSIBILITY, AND WORKING CONDITIONS." THE BILL DEFINES AN EQUITABLE JOB EVALUATION TECHNIQUE AS A "JOB EVALUATION TECHNIQUE WHICH, TO THE MAXIMUM EXTENT POSSIBLE DOES NOT INCLUDE COMPONENTS FOR DETERMINING THE COMPARATIVE VALUE OF A JOB THAT REFLECT THE SEX, RACE, OR ETHNICITY OF THE EMPLOYEE." FES IS SUCH A SYSTEM. IT SEEMS TO ME THAT THIS LEGISLATION PROPOSES THE ESTABLISHMENT OF THAT WHICH ALREADY IS IN PLACE.

BOTH H.R. 4599 AND 5092 PROPOSE TO MANDATE A STUDY OF THE FEDERAL JOB EVALUATION SYSTEM. YOU WILL BE PLEASED TO KNOW THAT A LEGISLATIVELY-MANDATED STUDY IS NOT NECESSARY. I HAVE ALREADY DIRECTED MY STAFF TO CONDUCT A THOROUGH REVIEW OF THE ENTIRE STANDARDS PROCESS. INCLUDED IN THE REVIEW IS THE EXAMINATION OF THE STANDARDS DEVELOPMENT PROCESS AND ITS RELATIONSHIP TO WAGE DETERMINATION. MORE SPECIFICALLY:

--WE ARE EXAMINING HOW CLOSELY OUR SYSTEM FOLLOWS CIVIL SERVICE LAW, PARTICULARLY WHETHER WE FOLLOW MERIT PRINCIPLE 5.

--WE ARE STUDYING WHETHER ANY FORM OF DISCRIMINATION EXISTS IN OUR CLASSIFICATION SYSTEM. WE RECOGNIZE THAT THE ELIMINATION OF ANY DISCRIMINATION IS AN IMPORTANT AND DESIRABLE GOAL.

--WE ARE EXAMINING THE JUDGMENTAL ASPECT OF JOB EVALUATION TO DETERMINE IF THE SUBJECTIVITY OF OUR SYSTEM CAN BE REDUCED IN ANY WAY. WE WANT TO ENSURE THAT WE OPERATE A SYSTEM WHICH IS NEITHER ARBITRARY NOR BIASED.

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--WE ARE EXPLORING WHAT UNNECESSARY RESTRICTIONS MAY EXIST ON ENTRY TO FEDERAL JOBS, SUCH AS EXCESSIVE CREDENTIALING.

--WE ARE COMPARING THE VIRTUES AND PROBLEMS OF THE FEDERAL WAGE SYSTEM WITH THOSE OF THE GENERAL SCHEDULE AND WE ARE EXAMINING THE RATIONALE FOR MAINTAINING THESE DISTINCT SYSTEMS.

THERE HAS BEEN A GOOD DEAL OF PUBLIC DISCUSSION OF "COMPARABLE WORTH" AS A MECHANISM FOR GIVING SPECIAL ATTENTION TO RECOGNIZING THE WORTH OF JOBS, ESPECIALLY THOSE PREDOMINATELY POPULATED BY WOMEN. MUCH OF THE DISCUSSION HAS CONCENTRATED ON DOCUMENTING THE PAY RELATIONSHIPS BY SEX AMONG JOBS, AND PERCEIVED PAY DIFFERENCES. BUT THERE IS LITILE INFORMATION ON HOW TO GET FROM THE PROBLEM TO THE SOLUTION. THE EQUAL EMPLOYMENT OPPORTUNITY COMMISSION (EEOC) IN 1978 COMMISSIONED THE NATIONAL ACADEMY OF SCIENCES TO EXAMINE THE ISSUES INVOLVED IN THE COMPARABLE WORTH CONCEPT OF COMPENSATION. THE NAS REPORT "WOMEN, WORK, AND WAGES: EQUAL PAY FOR JOBS OF EQUAL VALUE", WAS ISSUED IN 1981. ALTHOUGH THE NAS FINAL REPORT DID NOT DEFINITIVELY DESCRIBE WHAT MIGHT CONSTITUTE A FAIR AND EQUITABLE JOB EVALUATION PLAN, IT DID SUGGEST SOME CHARACTERISTICS WHICH THE NAS COMMITTEE BELIEVED TO BE PRE-REQUISITE FOR A COMPARABLE WORTH JOB EVALUATION SYSTEM. THESE ARE 1) CONSISTENT TREATMENT OF JOBS WITHIN A COMPREHENSIVE EVALUATION PLAN; 2) EXPLICIT EVALUATION CRITERIA; AND 3) AN EMPHASIS ON INTERNAL EQUITY AMONG JOBS.

THESE ARE THE SAME CHARACTERISTICS PRESENT IN THE CURRENT FEDERAL JOB EVALUATION SYSTEM. FOR EXAMPLE, AS REGARDS CONSISTENT TREATMENT OF JOBS, GRADES FOR ALL GENERAL SCHEDULE POSITIONS ARE DETERMINED BY

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AGENCY PERSONNEL STAFFS USING THE POSITION CLASSIFICATION STANDARDS DEVELOPED AND ISSUED BY OPM. AS I INDICATED EARLIER, OPM CLASSIFICATION STANDARDS INTERPRET THE GRADE VALUE GUIDANCE PROVIDED IN SECTION 5104 OF TITLE 5. SO THE SAME SCALE OF VALUES IS USED FOR ALL POSITIONS FROM GS-1 THROUGH GS-15, REGARDLESS OF TYPE OR LEVEL OF POSITION.

IN ADDITION, BY APPLYING EACH OF THE 9 COMMON FACTORS CONSISTENTLY, THE FACTOR EVALUATION SYSTEM FURTHER INSURES THAT ALL POSITIONS ARE FULLY EVALUATED WITHIN A COMMON FRAMEWORK.

AS REGARDS AVAILABILITY OF EXPLICIT EVALUATION CRITERIA, MANY OF OUR POSITION CLASSIFICATION STANDARDS RUN UPWARDS OF 100 PAGES IN LENGTH. THERE ARE ABOUT 300 OCCUPATIONAL STANDARDS FOR THE APPROXIMATELY 425 GS OCCUPATIONS. THOSE OCCUPATIONS WITHOUT SPECIFIC STANDARDS, MOST OF WHICH HAVE RELATIVELY FEW EMPLOYEES, ARE EVALUATED BY CROSS-REFERENCING TO RELATED OCCUPATIONS. AND, OF COURSE, THERE IS EASY ACCESS TO PUBLISHED STANDARDS THROUGH THE GOVERNMENT PRINTING OFFICE, AGENCY PERSONNEL OFFICES, AND MANY PUBLIC AND UNIVERSITY LIBRARIES. EACH CLASSIFICATION STANDARD PROVIDES A GOOD DEAL OF INFORMATION ABOUT ITS OCCUPATIONAL COVERAGE SO THAT POSITIONS WILL BE CLASSIFIED TO THE CORRECT SERIES, AND SPECIFIC GRADE LEVEL CRITERIA. FES BENCHMARKS, IN ADDITION, DESCRIBE WORK SITUATIONS WHICH TYPICALLY REPRESENT SIGNIFICANT NUMBERS OF POSITIONS IN THE OCCUPATION.

THE THIRD CHARACTERISTIC, EMPHASIS ON INTERNAL EQUITY, CAN BE TRACED BACK TO THE 1923 CLASSIFICATION ACT. IN THAT ACT, GRADES WERE FIRST ESTABLISHED AND DEFINED IN TERMS OF THE LEVEL OF DIFFICULTY, RESPONSIBILITY, AND QUALIFICATIONS REQUIRED. THESE GRADES

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WERE THOUGHT TO BE SO CENTRAL TO THE SYSTEM THAT THEY AND THEIR SHORT DEFINITIONS WERE ESTABLISHED IN LAW. ALL OF THE GOVERNMENT'S VARIOUS WHITE-COLLAR JOBS WERE THEN ANALYZED AND EVALUATED IN TERMS OF THOSE MEASURES AND PLACED (OR "CLASSIFIED") INTO GRADES. ONLY THEN WAS PAY ATTACHED TO THE GRADES, YIELDING A PAY RATE FOR AN EMPLOYEE IN A JOB CLASSIFIED TO THAT GRADE. THUS, DIVERSE JOBS, IN DIVERSE OCCUPATIONS, IN DIVERSE AGENCIES FOUND THEIR WAY INTO THE SAME SINGLE GRADE, WHOSE INCUMBENTS WERE THEN PAID THE SAME.

ALTHOUGH THE 1923 CLASSIFICATION ACT ESTABLISHED ONLY FIVE DIFFERENT JOB EVALUATION (OR PAY) SERVICES, THOSE FIVE SERVICES WERE CONCEPTUALLY INTERRELATED. THOSE SERVICES WERE: P, FOR PROFESSIONAL AND SCIENTIFIC; CAF, FOR CLERICAL, ADMINISTRATIVE AND FISCAL; SP, FOR SUBPROFESSIONAL; CU, FOR CUSTODIAL; AND CM, FOR CLERICAL - MECHANICAL.

BY 1949 ONLY THE FIRST THREE SERVICES WERE IN EXTENSIVE USE FOR WHITE COLLAR JOBS. HOWEVER, ALL DURING THE 1923-1949 PERIOD CERTAIN GRADES IN THE P AND CAF SERVICES ALWAYS HAD THE SAME PAY RATES. THE PRINCIPAL LINK BETWEEN THESE SEPARATE SERVICES WAS THE EQUATION OF GRADE P-1 (BEGINNING COLLEGE GRADUATE PROFESSIONAL) WITH CAF-5 (FULL PERFORMANCE SECRETARY, ACCOUNTING TECHNICIAN, OR PERSONNEL ASSISTANT). APPARENTLY, THIS RESULTED FROM THE BELIEF THAT A FOUR YEAR (I.E., 36 MONTH) COLLEGE EDUCATION WAS EQUIVALENT TO THREE YEARS OF PROGRESSIVELY RESPONSIBLE EXPERIENCE IN A DEMANDING OFFICE OR TECHNICAL JOB.

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WHEN THE TWO MAJOR SCHEDULES WERE MERGED INTO ONE BY LAW IN 1949, P-1 AND CAF-5 BECAME THE SINGLE GRADE GS-5. THE TEN-GRADED CAF SYSTEM BECAME THE FIRST TEN GRADES OF THE NEW GS SYSTEM AND (WITH A SEVERAL GRADE OVERLAP -- GS-5 THROUGH GS-10) THE EIGHT GRADED P SYSTEM BECAME THE GS SYSTEM'S LAST EIGHT GRADES (GS-5, 7, 9, 11, 12, 13, 14, AND 15). THIS IS BASICALLY THE SYSTEM THAT EXISTS TODAY. ONE GENERAL SCHEDULE FOR VIRTUALLY ALL WHITE COLLAR JOBS IN THE CIVILIAN FEDERAL CIVIL SERVICE, CHARACTERIZED BY GRADE LEVELS DEFINED IN STATUTE, AND DIVERSE BUT EQUALLY VALUED JOBS IN THE SAME GRADE LEVELS.

IT IS IMPORTANT TO NOTE THAT THE NATIONAL ACADEMY OF SCIENCES' STUDY CONCLUDED THAT FOR ALL JOB EVALUATION SYSTEMS "IT MUST BE RECOGNIZED THAT THERE ARE NO DEFINITIVE TESTS OF THE FAIRNESS OF THE CHOICE OF COMPENSABLE FACTORS AND THE RELATIVE WEIGHTS GIVEN TO THEM. THE PROCESS IS INHERENTLY JUDGEMENTAL AND ITS SUCCESS IN GENERATING A WAGE STRUCTURE THAT IS DEEMED EQUITABLE DEPENDS ON ACHIEVING A CONCENSUS ABOUT FACTORS AND THEIR WEIGHTS AMONG EMPLOYERS AND EMPLOYEES." THE MINORITY REPORT, ALTHOUGH GIVING SUPPORT TO THE IDEA THAT THE CONTENT OF JOBS CAN BE EVALUATED NEUTRALLY, STRESSED THAT ANY SUCH SYSTEM HAD TO BE CORRELATED TO EXISTING MARKET VALUES.

THE MAJOR CRITICISM LEVELED AT EXISTING JOB EVALUATION/COMPENSATION SYSTEMS, PUBLIC AND PRIVATE, BY COMPARABLE WORTH PROPONENTS IS PRECISELY THIS PERCEIVED OVER-RELIANCE ON THE USE OF EXTERNAL LABOR MARKET WAGE RATES TO SET THE PAY OF AN ORGANIZATION'S WORKFORCE.

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THEY ARGUE THAT SINCE SUCH RELIANCE ON MARKET-PLACE RATES TENDS TO PERPETUATE DIFFERENCES IN PAY, COMPARABILITY WITH THE MARKET, ESPECIALLY ON A JOB-TO-JOB BASIS, WOULD SIMPLY REINFORCE SUCH DIFFERENCES.

YET, EVEN WHEN THERE IS AGREEMENT ON COMPARABLE WORTH PRINCIPLES, IT IS DIFFICULT TO DECIDE HOW TO DEAL WITH IT. EVEN THE NATIONAL ACADEMY OF SCIENCES REPORT CAUTIONED THAT THEIR METHODS WERE EXPERIMENTAL, AND DID NOT SPECIFY HOW ONE GETS FROM FAIR JOB EVALUATION TO "COMPARABLE WORTH."

WHAT IS NOT EXPERIMENTAL IS JOB EVALUATION IN THE FEDERAL GOVERNMENT. IT IS FAIR AND IT EXISTS INDEPENDENTLY OF THE ISSUE OF COMPARABLE WORTH.

WHEN I SAY THE SYSTEM IS FAIR, HOWEVER, THAT DOES NOT MEAN IT IS PERFECT, FOR HUMAN BEINGS ARE NOT PERFECT. FOR EXAMPLE, THIS ADMINISTRATION HAS DISCOVERED SUBSTANTIAL MISCLASSIFICATION BY AGENCIES OF FEDERAL JOBS. NOT ONLY IS OVERCLASSIFICATION UNFAIR TO TAXPAYERS SINCE IT IS EXPENSIVE, BUT, IF ONE ASSUMES SEX BIAS ON THE PART OF FEDERAL MANAGEMENT, ONE MUST ASSUME SUCH BIAS CARRIES OVER INTO MISCLASSIFICATION. IT FOLLOWS THAT LACK OF PROPER CLASSIFICATION BY AGENCIES WOULD BE A MAJOR SOURCE OF ANY SEX BIAS IN THE FEDERAL WORK FORCE, NOT IMPERFECTIONS IN STANDARDS SETTING.

ALSO, IT SHOULD BE NOTED THAT IN ITS 1982 STUDY BREAKING TRUST, THE MERIT SYSTEMS PROTECTION BOARD REPORTED THAT BY FAR THE LARGEST NUMBER OF REPORTS OF OBSERVED GROUP DISCRIMINATION WAS AGAINST NON-MINORITY MALES. ONE IN THREE RESPONDENTS HAD OBSERVED INSTANCES

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OF THIS SORT OF MERIT SYSTEM VIOLATION. IT MAY BE ARGUED THAT FEDERAL EMPLOYEES ARE NOT THE BEST EVIDENCE ON SUCH MATTERS SINCE OPM EVALUATIONS HAVE NOT DETECTED SUCH VIOLATIONS. ON THE OTHER HAND, EMPLOYEES MAY HAVE BETTER ACCESS TO AND THEREFORE KNOWLEDGE OF THESE MATTERS THAN OUTSIDE EVALUATORS.

I WOULD BE LESS THAN CANDID IF I DID NOT ALSO ADMIT THAT THERE IS A SIGNIFICANT JUDGMENTAL FACTOR IN JOB EVALUATION ITSELF. ALTHOUGH CRITERIA INTENDED TO BE OBJECTIVE ARE USED, AND NUMBERS ARE EVEN THE FINAL PRODUCT, JUDGMENT IS INVOLVED IN EVERY STAGE, EVEN OF THE STANDARDS PROCESS. CLEARLY THIS IS SO FOR THE MAJOR FACTOR DECISIONS MADE THROUGHOUT THE PROCESS.

WHEN SETTING STANDARDS EVALUATING JOBS, THERE MUST BE SOME PERSPECTIVE ACCORDING TO WHICH OPM OPERATES. FIRST, ONE COULD SIMPLY BE ARBITRARY OR BIASED. CLEARLY THAT IS UNACCEPTABLE. A SECOND PERSPECTIVE IS TO RELY UPON THE EXPERTS IN THE PROFESSIONAL ASSOCIATIONS WHICH CERTIFY THE OCCUPATIONS. IN GENERAL, HOWEVER, THE INTEREST OF SUCH AN ASSOCIATION IS TO RESTRICT ENTRY THROUGH CREDENTIALING, TO LIMIT SUPPLY AND THEREFORE INCREASE THE COMPENSATION OF THOSE ALREADY CERTIFIED.

THIS DIRECTOR'S APPROACH HAS BEEN TO LIMIT CREDENTIALING TO THE MINIMUM NECESSARY TO PROVIDE FOR THE KNOWLEDGE, SKILLS AND DEMANDS NECESSARY FOR PERFORMING THE WORK. IN THIS WAY, THE MARKET IS ABLE TO WORK TO ITS MAXIMUM, TO ALLOW THE GREATEST AMOUNT OF OPPORTUNITY TO ALL POTENTIAL APPLICANTS FOR THE POSITION. THIS LIMIT ON CREDENTIALING IS ESPECIALLY BENEFICIAL FOR MANY WOMEN,

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SINCE HISTORIC EDUCATIONAL AND CULTURAL PATTERNS IN MANY OCCUPATIONS HAVE MADE IT DIFFICULT FOR SOME WOMEN TO ACCUMULATE EXTENSIVE FORMAL CREDENTIALS. WE ARE WORKING TO RID THE SYSTEM OF AS MANY OF THE RESTRICTIONS TO ENTRY, LIKE CREDENTIALING, AS WE CAN. YET, I MIGHT ADD THAT, IN EACH CASE WHERE I HAVE ATTEMPTED TO DO SO, SUBSTANTIAL OPPOSITION HAS BEEN GENERATED.

TO ACHIEVE THE UNIFORMITY ASSUMED BY COMPARABLE WORTH ADVOCATES, IT WOULD ALSO BE NECESSARY TO CONSIDER THE WAGE GRADE SYSTEM. AT PRESENT, 450,000 FEDERAL EMPLOYEES IN TRADITIONAL, BLUE-COLLAR, MORE UNIONIZED OCCUPATIONS, ARE NOT INTEGRATED INTO THE WHITE-COLLAR JOB EVALUATION SYSTEM. WE WOULD EXPECT VERY SUBSTANTIAL UNION OPPOSITION TO SUCH AN EFFORT.

I WOULD LIKE TO STRESS, AGAIN, THAT EVEN IF ALL OF THESE CHANGES WERE ACCOMPLISHED TO MAKE THE JOB EVALUATION SYSTEM MORE EQUITABLE, THIS STILL WOULD NOT BE A "COMPARABLE WORTH" SYSTEM. AS TWO STAFF MEMBERS OF THE NATIONAL ACADEMY OF SCIENCES HAVE PREVIOUSLY TESTIFIED TO THIS COMMITTEE, THERE IS STILL THE QUESTION OF "RELATIVE WORTH." AS THEY NOTED, RELATIVE WORTH IS A "MATTER OF VALUES;" IT IS A DIFFICULT PROBLEM TO MEASURE VALUES AND WORTH. WHO'S VALUES DO WE RELY UPON? MINE? YOURS? REALLY, THE ONLY WAY FREE SOCIETIES HAVE FOUND TO DO THIS IS TO REFER TO THE VALUE CHOICES WHICH EXIST IN THE MARKET. BUT THIS BRINGS US FULL CIRCLE, SINCE IT IS OFTEN THESE VALUES WHICH ARE OBJECTED TO BY THE PROPONENTS OF "COMPARABLE WORTH".

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GIVEN PRESENT KNOWLEDGE REGARDING THE SETTING OF THE WORTH OF A JOB, I DO NOT SEE ANY ALTERNATIVE TO HAVING THE FINAL TOUCHSTONE FOR SETTING "WORTH" TO BE THE MARKET. FAIR JOB EVALUATION CAN ONLY GO SO FAR. WE SHOULD CONTINUE REFINING OUR CLASSIFICATION SYSTEM BUT, UNLESS NEW IDEAS ARE DEVELOPED, WE CANNOT GO MUCH FURTHER WITHOUT BEING ARBITRARY.

AT THE SECOND DAY OF THE LAST HEARINGS YOU HELD ON THIS SUBJECT, CONGRESSWOMAN FERRARO REALLY ASKED THE CENTRAL QUESTION. SHE ASKED, HOW COULD ONE DETERMINE WORTH IF NEITHER MARKET FORCES OR JOB EVALUATION TECHNIQUES COULD DO IT? THOMAS DONOHUE, SECRETARY-TREASURER OF THE AFL-CIO, SAID THAT WORTH MUST BE DETERMINED IN THE PRIVATE SECTOR BY JOINT AGREEMENTS REACHED BY LABOR AND MANAGEMENT. THIS MEANS, IN EFFECT, RELYING ON THE MARKET. THIS IS THE NECESSARY ANSWER TO THE QUESTION FOR THE PRIVATE SECTOR.

THE FEDERAL GOVERNMENT MUST FOLLOW THE PRIVATE SECTOR. OUR WHOLE COMPENSATION SYSTEM IS BASED UPON THE PRINCIPLE OF COMPARABILITY TO THE PRIVATE SECTOR. ALTHOUGH ADHERENCE TO THAT PRINCIPLE HAS BEEN DIFFICULT IN RECENT YEARS, THE PRINCIPLE ITSELF REMAINS THE ONLY ONE UNDER WHICH WE CAN OPERATE AND CAN BE JUSTIFIED TO THE PUBLIC AS FAIR AND NOT ARBITRARY.

IN CONCLUSION, MADAM CHAIRWOMAN, I BELIEVE WE AT THE U.S. OFFICE OF PERSONNEL MANAGEMENT HAVE MADE AND ARE MAKING PROGRESS IN IMPROVING OUR SYSTEM OF CLASSIFYING AND EVALUATING FEDERAL JOBS.

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THE OFFICE OF PERSONNEL MANAGEMENT REMAINS DEDICATED TO THE SETTING OF FAIR STANDARDS THROUGH JOB EVALUATION, FAIR ENFORCEMENT OF CLASSIFICATION DECISIONS IN THE AGENCIES, AND CREATING A MORE ACCURATE PAY COMPARABILITY SYSTEM. I HOPE THESE ACTIONS WILL BE OF SOME BENEFIT IN ACHIEVING THE FAIR CLASSIFICATION AND PAY SYSTEM WHICH ALL FEDERAL EMPLOYEES DESERVE.

MADAM CHAIRWOMAN THIS CONCLUDES MY PREPARED STATEMENT. I WILL BE GLAD TO RESPOND TO ANY QUESTIONS YOU MAY HAVE.

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TESTIMONY OF FEDERALLY EMPLOYED WOMEN, INC.

BEFORE

THE COMMITTEE ON POST OFFICE AND CIVIL SERVICE

ON

DEVELOPMENT OF A SUPPLEMENTAL RETIREMENT SYSTEM FOR

NEW FEDERAL EMPLOYEES UNDER THE SOCIAL SECURITY SYSTEM

MARCH 13, 1984

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TESTIMONY ON THE DEVELOPMENT OF A SUPPLEMENTAL RETIREMENT SYSTEM FOR NEW FEDERAL EMPLOYEES UNDER THE SOCIAL SECURITY SYSTEM BEFORE THE COMMITTEE ON POST OFFICE AND CIVIL SERVICE, MARCH 13, 1984.

CHAIRPERSON FORD, THANK YOU FOR ASKING FEDERALLY EMPLOYED WOMEN TO TESTIFY HERE TODAY. FEDERALLY EMPLOYED WOMEN, INC. (F.E.W.) IS AN INTERNATIONAL MEMBERSHIP ORGANIZATION REPRESENTING WOMEN IN THE FEDERAL GOVERNMENT THROUGHOUT THE UNITED STATES AND FOREIGN NATIONS. F.E.W. WAS FOUNDED IN 1968 TO ADVOCATE EQUAL OPPORTUNITY AND FOSTER FULL POTENTIAL FOR WORKING WOMEN IN THE FEDERAL SECTOR. IT IS A PRIVATE, NON-PROFIT, NON-PARTISAN ORGANIZATION AND ITS CHARTER IS THE SAME AS THAT OF THE FEDERAL WOMEN'S PROGRAM, AN INTERNAL GOVERNMENT PROGRAM ESTABLISHED BY EXECUTIVE ORDER 11375.

THE DEVELOPMENT OF A NEW CIVIL SERVICE RETIREMENT SYSTEM FOR FEDERAL WORKERS HIRED AFTER 1983 WHO NOW CONTRIBUTE TO THE SOCIAL SECURITY SYSTEM IS A CRUCIAL ISSUE THAT MUST BE ADDRESSED. WE APPLAUD THE COMMITTEE'S INITIATIVE IN HOLDING THESE HEARINGS IN A TIMELY MANNER.

WOMEN EMPLOYED IN THE FEDERAL GOVERNMENT HAVE A VITAL INTEREST IN THE DEVELOPMENT OF THE SUPPLEMENTAL CIVIL SERVICE RETIREMENT SYSTEM. IN 1983 THERE WERE 950,000 FEDERAL WOMEN WORKERS (OR 35 PERCENT OF THE FEDERAL WORKFORCE). MANY OF THESE WOMEN ENTERED THE FEDERAL WORKPLACE BECAUSE THE FEDERAL GOVERNMENT HAS TRADITIONALLY OFFERED AN ATTRACTIVE PENSION PLAN. CIVIL SERVICE RETIREMENT BENEFITS MUST BE PRESERVED AT THE CURRENT LEVELS AND AN EQUALLY ATTRACTIVE RETIREMENT PACKAGE MUST BE OFFERED TO NEWLY EMPLOYED FEDERAL WOMEN WORKERS. WOMEN EMPLOYED BY THE FEDERAL GOVERNMENT NOT ONLY DESERVE ADEQUATE RETIREMENT INCOME, BUT DEPEND ON THESE BENEFITS IN RETIREMENT

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YEARS.

IN 1982 THERE WERE 5999,000 WOMEN WHO RECEIVED A FEDERAL PENSION WITH NO OTHER RETIREMENT PENSIONS AND OF WOMEN OVER AGE 65 343,000 WOMEN RECEIVED ONLY A FEDERAL PENSION AND NO OTHER RETIREMENT PENSIONS. THESE WOMEN ARE OFTEN ALONE IN THEIR RETIREMENT YEARS (DUE TO DIVORCE OR WIDOWHOOD) AND DEPEND ON THEIR FEDERAL PENSION AS THEIR MAIN SOURCE OF RETIREMENT INCOME. 36 PERCENT OF ALL SINGLE ELDERLY WOMEN DEPEND ON THEIR GOVERNMENT PENSION FOR 50 PERCENT OR MORE OF THEIR INCOME. THE MEAN AMOUNT OF A WOMAN'S FEDERAL PENSION IN 1982 WAS $7,541 PER YEAR AS COMPARED TO $13,767 FOR MEN. THE MEDIAN TOTAL INCOME FOR RETIRED FEDERAL WOMEN WAS $11,717 IN 1982. FEDERAL WOMEN RETIREES RECEIVE LOWER ANNUAL ANNUITIES THAN THEIR MALE COUNTER-PARTS IN LARGE PART BECAUSE FEMALE FEDERAL WORKERS ARE CONCENTRATED OM THE LOW PAYING GENERAL SCHEDULE GRADES. 75 PERCENT OF ALL WOMEN EMPLOYED IN THE FEDERAL GOVERNMENT ARE IN GS GRADES 1 THROUGH 8.

OLDER WOMEN ARE THE FASTEST GROWING POVERTY POPULATION IN OUR NATION. FEDERAL WOMEN RETIREES SHARE THE SAME BURDENS IN THEIR RETIREMENT YEARS AS ALL OTHER WOMEN. THERE ARE OVER 9 MILLION NON-MARRIED, ELDERLY WOMEN (WIDOWED, DIVORCED OR NEVER-MARRIED) AS COMPARED TO ONLY 2.3 MILLION NON-MARRIED, ELDERLY MEN. THE GREAT MAJORITY OF THESE WOMEN LIVE ALONE, DEPEND ON THEIR RETIREMENT BENEFITS FOR INCOME AND FIND THAT AN INCREASING SHARE OF THAT INCOME GOES TO PAY MEDICAL BILLS. WOMEN EMPLOYED BY THE FEDERAL GOVERNMENT MUST BE GUARANTEED A DECENT STANDARD OF LIVING IN THEIR RETIREMENT AFTER YEARS OF GOVERNMENT SERVICE.

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SUPPLEMENTAL CIVIL SERVICE RETIREMENT SYSTEM

AT THIS CONGRESSIONAL HEARING F.E.W. FEELS IT IS ONLY APPROPRIATE TO ADDRESS THE ISSUES CONCERNING THE SUPPLEMENTAL RETIREMENT SYSTEM RATHER THAN THE PRESENT CIVIL SERVICE RETIREMENT SYSTEM (CSRS). THE PRESENT CSRS SHOULD BE KEPT INTACT FOR FEDERAL EMPLOYEES WHO WERE HIRED UNDER THE PRESENT RETIREMENT PLAN. THE SUPPLEMENTAL RETIREMENT SYSTEM FOR NEW FEDERAL EMPLOYEES SHOULD NOT BE A HASTY PROCESS. COMPREHENSIVE STUDIES AND CAREFUL CONSIDERATION MUST BE GIVEN TO THE NEW RETIREMENT PACKAGE FOR THE FEDERAL WORKFORCE. A COMPETITIVE RETIREMENT PLAN SHOULD BE DESIGNED IN ORDER TO ATTRACT HIGHLY QUALIFIED WORKERS TO ENSURE A COMPETENT FEDERAL LABOR FORCE. THE SOCIAL SECURITY SYSTEM AND THE CSRS FUNCTION IN DIFFERENT MANNERS. SOCIAL SECURITY BENEFITS (AN INCOME SERCURITY PROGRAM) WERE DESIGNED TO PROVIDE MINIMAL RETIREMENT PROTECTION WHEREAS THE CSRS BENEFITS (A PENSION PLAN) WERE INTENDED TO PROVIDE THE MAJORITY OF INCOME DURING A FEDERAL WORKER'S RETIREMENT. SIMPLY LUMPING THE TWO SYSTEMS TOGETHER IS NOT POSSIBLE AND CAREFUL INTEGRATION OF SOCIAL SECURITY AND CSRS MUST BE STUDIED.

BENEFIT LEVELS

THE PRIMARY CONSIDERATION WHEN DESIGNING THE NEW SUPPLEMENTAL SYSTEM SHOULD BE THE LEVEL OF BENEFITS AFFORDED TO NEW FEDERAL EMPLOYEES. F.E.W. STRONGLY BELIEVES THAT ADEQUATE RETIREMENT PROTECTION MUST BE GIVEN TO ALL FEDERAL RETIREES. THE SUPPLEMENTAL FEDERAL PENSION BENEFIT ADDED TO THE SOCIAL SECURITY BENEFIT MUST EQUAL AT LEAST CURRENT LAW BENEFIT LEVELS. FOR EXAMPLE THE MEDIAN ANNUITY FOR FEDERAL RETIRED WOMEN UNDER THE NEW SYSTEM SHOULD AT LEAST EQUAL THE MEDIAN ANNUITY UNDER THE PRESENT SYSTEM. FEDERAL EMPLOYEES, ESPECIALLY WOMEN, CAN NOT AFFORD LOWER RETIREMENT BENEFIT LEVELS.

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COMPARABILITY

FEDERAL RETIREMENT BENEFITS SHOULD BE COMPARABLE TO PRIVATE PENSION PLANS. THE FEDERAL GOVERNMENT HAS BEEN A ROLE MODEL AS FAR AS PROVIDING CERTAIN PROGRAMS FOR EMPLOYEES. THE PRIVATE SECTOR HAS USED THESE EXAMPLES FOR THEIR OWN EMPLOYEES. THE GOVERNMENT'S ROLE MODEL POSITION SHOULD NOT LAPSE WHEN IT COMES TO ESTABLISHING A PENSION PLAN TO SUPPLEMENT SOCIAL SECURITY BENEFITS.

COMPARABILITY ANALYSIS SHOULD CONCENTRATE ON LARGE CORPORATIONS WHO HAVE LABOR FORCES SIMILAR TO THE FEDERAL GOVERNMENT IN ORDER TO RECEIVE ACCURATE DATA. IN ADDITION, IT IS ALSO NECESSARY TO KEEP IN MIND THAT FEDERAL WAGES OFTEN LAG BEHIND PRIVATE SECTOR WAGES (DIRECTLY AFFECTING RETIREMENT BENEFITS) AND THAT FRINGE BENEFITS IN LARGE PRIVATE SECTOR CORPORATIONS ARE OFTEN MORE GENEROUS THAN IN THE PUBLIC SECTOR (I.E., LIFE INSURANCE, HEALTH BENEFITS).

DESIGN OF SUPPLEMENTAL CIVIL SERVICE RETIREMENT SYSTEM

THE SOCIAL SECURITY BENEFIT IS INADEQUATE FOR RETIREMENT INCOME. THE AVERAGE SOCIAL SECURITY BENEFIT IN 1982 WAS $335 PER MONTH FOR RETIRED WOMEN WORKERS. THE SOCIAL SECURITY BENEFIT SHOULD ACT AS A BASE FOR THE SUPPLEMENTAL SYSTEM TO BUILD UPON. THE SUPPLEMENT SHOULD BRING THE BENEFIT UP TO CURRENT LAW CIVIL SERVICE RETIREMENT BENEFITS. THE BASIC STRUCTURE OF THE CURRENT CSRS SHOULD BE PRESERVED BY ALLOWING FULL BENEFITS AT AGE 55 WITH 30 YEARS OF SERVICE. WOMEN OFTEN CAN NOT DELAY THEIR RETIREMENT DUE TO ILL HEALTH, CARE OF ELDERLY DEPENDENTS, OR A HUSBAND'S RETIREMENT PLANS, YET WOMEN ARE THE ONES WHO DEPEND ON THEIR RETIREMENT INCOME TO SURVIVE.

F.E.W. ENCOURAGES YOU TO CONTINUE WITH THE DEFINED BENEFIT PLAN RATHER THAN

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SWITCH TO A DEFINED CONTRIBUTION PLAN. A DEFINED BENEFIT PLAN TARGETS A SET OF RETIREMENT BENEFITS UNDER SPECIFIED CONDITIONS. THESE SPECIFIC BENEFITS ALLOW WORKERS TO BETTER PLAN FOR THEIR RETIREMENT YEARS. ALSO, A DEFINED BENEFIT PLAN EASES THE ADDITION OF SUPPLEMENTAL BENEFITS (I.E. DISABILITY, SURVIVOR) AND CAN BE RETROACTIVE FOR EMPLOYEES HIRED PRIOR TO THE ENACTMENT OF THE PLAN. THIS LATTER ASPECT IS IMPORTANT BECAUSE THE FEDERAL WORKERS WHO WILL BE UNDER THE SYSTEM ARE CURRENTLY ENTERING THE WORKFORCE. DEFINED CONTRIBUTION PLANS, ON THE OTHER HAND, ARE NOT USUALLY UTILIZED BY LARGE CORPORATIONS, BUT RATHER BY SMALL COMPANIES OR FOR SHORT SERVICE EMPLOYEES. DEFINED CONTRIBUTION PLANS ARE MORE RISKY AND DO NOT ALLOW WORKERS TO ADEQUATELY PLAN FOR THEIR RETIREMENT YEARS.

CIVIL SERVICE RETIREMENT BENEFITS MUST BE PROTECTED FROM THE FLUCTUATIONS IN THE ECONOMY, CHANGING POLITICAL ATMOSPHERES, AND INFLATION. UNDER THE PRESENT SYSTEM FUNDS FROM THE FEDERAL TREASURY ARE SET ASIDE FOR THE RETIREMENT SYSTEM. F.E.W. ENCOURAGES YOU TO SET UP A SYSTEM THAT BETTER SEGREGATES THE THE RETIREMENT FUNDS FROM OTHER TREASURY FUNDS. EACH AGENCY SHOULD BE REQUIRED TO SET ASIDE FUNDS FOR THIS PURPOSE. YEARLY CONGRESSIONAL APPROPRIATIONS TO THE RETIREMENT FUND SHOULD BE ELIMINATED AND REPLACED BY A FUNDING FORMULA. IT IS THE ULTIMATE RESPONSIBILITY OF THE EMPLOYER TO ENSURE THAT RETIREMENT FUNDS ARE SOLVENT.

TO PROTECT RETIREMENT BENEFITS FROM INFLATION A COST-OF-LIVING-ADJUSTMENT (COLA) MUST BE PAID ON A YEARLY BASIS. IF NO COLA PROVISION IS PROVIDED TO FEDERAL RETIREMENT BENEFITS, THE BENEFITS ARE QUICKLY ERODED AWAY AND THE PHILOSOPHY OF REPLACING A PERCENTAGE OF A RETIREE'S SALARY IS LOST. THE MEDIAN REPLACEMENT RATE FOR FEDERAL WOMEN IN 1979 WAS 41 PERCENT (BASED ON THE 3 HIGHEST YEARS OF EARNINGS). ANY REDUCTION IN THIS AMOUNT IS INADEQUATE

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TO LIVE ON. FOR EXAMPLE, AFTER 10 YEARS WITH A 4 PERCENT INFLATION RATE, A BENEFIT ONLY HAS TWO-THIRDS OF ITS ORIGINAL PURCHASING POWER. COLAS ARE ESSENTIAL TO CIVIL SERVICE RETIREMENT BENEFITS BECAUSE FEDERAL EMPLOYEES HAVE NO BARGAINING POWER TO RAISE THEIR RETIREMENT BENEFITS NOR ARE THEY PROTECTED UNDER THE ERISA REGULATIONS. MANY PRIVATE SECTOR CORPORATION ARE INCREASING THEIR RETIREMENT BENEFIT AND ADDING COLA PROVISIONS TO THEM TO ENSURE THAT A RETIREE'S PURCHASING POWER KEEPS PACE WITH INFLATION.

WE CONCLUDE BY EMPHASIZING THAT WHEN DEVELOPING A SUPPLEMENTAL RETIREMENT SYSTEM TO ACCOMPANY SOCIAL SECURITY BENEFITS TO REMEMBER THAT THE FEDERAL GOVERNMENT HAS ALWAYS ACTED AS A LEADER FOR PRIVATE SECTOR EMPLOYMENT. TAKE INITIATIVE AND BE CREATIVE WHEN DESIGNING AN INNOVATIVE RETIREMENT SYSTEM THAT THE PRIVATE SECTOR CAN USE AS A MODEL. WE ALSO REITERATE THAT THIS IS NOT A PROCESS THAT CAN HAPPEN IN A WEEK NOR EVEN IN ONE SESSION OF CONGRESS, BUT A PROCESS THAT REQUIRES MUCH STUDY AND THOUGHT SO A FAIR AND REASONABLE RETIREMENT SYSTEM IS AVAILABLE TO ALL NEW FEDERAL EMPLOYEES. IF THE FEDERAL GOVERNMENT OFFERS A GOOD RETIREMENT PLAN, IT WILL CONTINUE TO ATTRACT A HIGHLY QUALIFIED WORKFORCE. IF THE FEDERAL GOVERNMENT REDUCES RETIREMENT BENEFITS, GOVERNMENT MORALE WILL SUFFER. A GOOD RETIREMENT SYSTEM ENCOURAGES GOVERNMENT EMPLOYEES TO HAVE A LIFE CAREER WITH THE FEDERAL GOVERNMENT AND ESTABLISHES A STABLE AND EFFICIENT WORKFORCE. F.E.W. URGES YOU TO BEGIN IMMEDIATELY TO DEVELOP A SYSTEM THAT TAKES THE TRADITIONAL GOALS AND AWARDS OF GOVERNMENT SERVICE INTO ACCOUNT AND PRODUCE A RETIREMENT SYSTEM THAT IS FAIR AND EQUITABLE TO EVERYONE.

THANK YOU CHAIRPERSON FORD FOR THE OPPORTUNITY FOR F.E.W. TO TESTIFY HERE TODAY. WE WOULD BE HAPPY TO ADDRESS ANY FURTHER QUESTIONS THE COMMITTEE HAS.

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PROFESSIONAL MANAGERS ASSOCIATION

TESTIMONY

ON

DEVELOPMENT OF A SUPPLEMENTAL

CIVIL SERVICE RETIREMENT PLAN

BEFORE

COMMITTEE ON POST OFFICE AND CIVIL SERIVE

CHAIRMAN

WILLIAM D. FORD

BY

MICHAEL J. RISELLI

GENERAL COUNSEL

PROFESSIONAL MANAGERS ASSOCIATION

13 MARCH 1984

P.O. Box 7762 • Ben Franklin Station • Washington, D.C. 20044

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Thank you for the opportunity to testify. My name is Michael J. Riselli and I am the General Counsel of the Professional Managers Association, a non-profit membership association which represents federal mid-level managers.

In our testimony today we want to give you PMA's general position on the pension plan for new Federal employees and to suggest some areas the Committee may wish to look into.

First, it is PMA's position that the benefits from the pension plan adopted for new Federal employees plus the Social Security benefits attributable to their years of Federal service should equal the benefits provided solely by the Federal Civil Service Retirement System to pre-1984 Federal employees. And, second, it is our position that the pension plan should be a defined benefit pension plan, as is the present Civil Service Retirement System.

There are several important reasons for our recommendations.

First, we would like to emphasize that employee benefits, and especially pension benefits, are not a gratuity. From the employer's point of view, a good pension plan is simply good business. The employer's goal is to attract and retain the best employees and to encourage and sustain productivity through good employee relations. The Federal Government, as employer, may be expected to have additional public policy goals and the goal of setting an example as well as goals of fairness. Today employees expect to maintain the standard of living attained during their working years into their retirement years. It is generally accepted that this goal can be accomplished for the bulk of the population only through Social Security plus employer-sponsored pension plans. The more progressive companies provide pension benefits which, together with Social Security, accomplish this goal.

At this point I would like to point out that there are several misconceptions

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surrounding the present Civil Service Retirement System. One of these misconceptions is that it is overly generous. The Civil Service Retirement System provides adequate, not opulent, benefits. It is generally agreed that 50 to 75 percent of the current value of the employee's gross compensation at retirement is needed to enjoy a post-retirement standard of living reasonably comparable to the pre-retirement standard of living. An employee who retires from the Civil Service Retirement System with 30 years of service and unreduced benefits will receive 56.25 percent of the three highest years' average salary. The maximum pension benefit that can be earned by a civil service employee is 80 percent of the average of the three highest years of salary and that requires 41 years and 10 months of service. On the other hand, it is apparently not uncommon for employees in the private sector to receive much higher benefits. The Employee Retirement Income Security Act, as amended, prohibits private-sector defined benefit qualified pension plans from providing benefits higher than the lesser of (1) $90,000, adjusted for inflation, or (2) 100 percent of the participant's average compensation for the highest three consecutive years. These limits are based on benefits attributable only to employer contributions. Benefits higher than these limits can be provided outside the qualified plan through excess benefit pension plans and other types of non-qualified pension plans. The Civil Service Retirement System is comparable to or, in some cases, inferior to the combination of benefits provided through the pension plans of the more progressive companies in the private sector and Social Security. And when you consider additional benefits provided by many private-sector companies, such as stock, profit-sharing, savings and thrift plans, excess benefit plans, etc., there is an even greater disparity. And, let's not forget, these benefits are based on larger salaries -- witness the large

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number of political appointees, many young and in the early years of their careers, who leave the Federal Service after brief appointments because they claim they cannot live on such low pay any longer.

In your deliberations we suggest you look at the benefits provided the employees of the more progressive companies which have workforces comparable to the Federal Civil Service, consisting in such large part of professional and technical employees who are experts in many diverse fields, managers, attorneys, actuaries, scientists, employee benefit plan specialists, accountants, veterinarians, doctors, program analysts, etc. It is largely these progressive companies with which the Federal Government competes for employees.

And, at this point, PMA would like to point out, these private-sector plans are almost always financed with no contributions required from employees (although employees do, of course, contribute to Social Security).

Studies have indicated that the trend in employee benefits in the private sector has been in increasing and improving benefits. There have been some short periods when this trend has slowed because of various economic situations, but, overall, the pattern has been to increase and improve benefits. Thus, with the passage of years, more and more pension plans have improved their benefit formulas to provide benefits based on final earnings; more plans have lower retirement age for unreduced benefits; more plans subsidize earlier retirement; more plans provide for short vesting periods; more plans provide post-retirement benefit increases because of inflation. And so on.

There are sound reasons for all of these improvements -- equity considerations and business and financial considerations among them.

PMA considers it unwise to consider downgrading the benefits to be provided new Federal employees. Accordingly, we recommend that the benefits from the pension plan adopted for new Federal employees plus the Social Security benefits attributable to their years of Federal service should equal the benefits provided solely by the Civil Service Retirement System to pre-1984

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Federal employees.

Why does PMA recommend a defined benefit pension plan? (I want to emphasize here that while PMA recommends the defined benefit pension plan, it has no objection to ADDITIONAL benefits being provided through a defined contribution approach.) A little background may be in order at this point. As you are no doubt aware, there are basically two types of pension plan. Defined contribution plans promise only a specified contribution from the employer for each employee. The ultimate retirement benefit depends upon how much is in the employee's account at the time of retirement and will not be known until retirement. Defined benefit pension plans provide a specified benefit at retirement -- and sufficient contributions must be made to ultimately provide that benefit. So, in defined benefit pension plans, the benefit is known. In defined contribution pension plans only the amount of the contribution is known. In defined benefit pension plans, the risk of providing the benefit is borne by the employer. The employer must contribute, and the investment of these contributions must generate, a sufficient amount to provide the promised benefit. At this point, I would like to quote a remark made by Professor Dan M. McGill before the Policy Forum of the Senate Governmental Affairs Committee, December 13, 1983. He said, in speaking of private-sector defined benefit pension plans, "It is relevant to note that if a fully funded plan consistently earns a 6 percent rate of return, approximately 70 percent of plan costs will be met out of investment earnings. Stated differently, 70 percent of the benefits will be paid out of investment income rather than plan contributions." Moreover, it should not be overlooked, as the President of Martin E. Segal Company pointed out at the same forum, that, for a given contribution, a defined benefit plan can generally provide more in the way of benefits than can a defined contribution plan. In defined contribution plans,

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the risk is borne by the employee. The amount of the employee's account at retirement will determine the benefits to be provided and cannot be known in advance. The size of the account is affected by the amount contributed, the investment gains and losses, and the value of distributed plan forfeitures, as well as market conditions prevailing at retirement, i.e., interest and annuity rates in effect at the time of retirement.

Most large employers provide defined benefit pension plans. Some also provide defined contribution plans in addition. The vast majority of employees in both the private sector and the public sector are covered by defined benefit pension plans.

There are some advantages and disadvantages, from both the employer's and the employee's points of view, of each type of plan. Defined contribution plans work to the advantage of young, short-service employees. Employers utilize defined contribution plans for the following reasons: as a supplement to an existing defined benefit pension plan; as a first step in providing pension benefits; to benefit young, short-service workers; or to avoid long-term liabilities. For employees who eventually make a job commitment, even late in their careers, the defined benefit pension plan is generally the most favorable because it provides a known result with minimum risk and can be designed to provide fully adequate benefits even for employees who are hired relatively late in life and who will have only 20-25 years of service under the plan. Moreover, although there has been a recent increase in defined contribution plans for various reasons (the regulatory environment, etc.), many experts have expressed conerns about relying on defined contribution plans to provide all or part of the basic pension benefits and have indicated that these concerns have not been adequately explored as yet. For these reasons, PMA favors a defined benefit pension plan for new Federal employees.

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PMA would also like to take this opportunity to point out a few areas that the Committee may wish to explore.

First, in the private sector, a qualified pension plan is basically a separate entity from the employer which sponsors the plan. The employer does not own plan funds and may not use plan funds for its own purposes; plan funds must be prudently invested and must be for the exclusive benefit of plan participants and their beneficiaries; investments must be diversified; and plans are required to comply with strict funding rules. On the other hand, the Civil Service Retirement System trust fund is merely an account within the Federal Treasury. By law the trust fund must be invested only in interest-bearing Government securities and, as we all know, Government securities over the long term have provided relatively low rates of interest. Another result of this requirement is that the Civil Service Retirement System trust fund has been available for other Federal expenditures. If the Civil Service Retirement System were designed more along the lines of private-sector retirement plans, the costs to the Government of providing retirement benefits for its employees would be much smaller. There are reasons for requiring private-sector pension plans to be set up in the manner they are which are not applicable to a plan for employees of the Federal Government. However, if the chief concern is <u>costs</u> of the retirement benefits, the Committee may wish to examine whether it is possible that that problem can be solved by designing the system somewhat differently while at the same time continuing to provide adequate retirement benefits.

Another issue that is being discussed is the "ownership" issue, with the idea being proposed that safeguaring Federal employees' rights to pension benefits can be accomplished only through a defined contribution plan. If the goal is to strengthen Federal employees' rights to pension benefits, we submit that that goal can be accomplished under either type of

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plan and does not require the institution of a defined contribution plan. The Employee Retirement Income Security Act of 1974, which regulates private-sector pension plans, prohibits private-sector pension plans from reducing accrued pension benefits. Surely, Congress is willing to comply with the spirit of such a provision it imposes on private-sector pension plans in order to provide Federal employees with the same simple safeguard it demands for private-sector employees.

Before concluding, PMA wishes to caution the Committee that in the discussions of pension benefits for Federal employees, there are myths and misconceptions being stated and accepted as facts,and comparisons being made between apples and oranges, sometimes inadvertently and sometimes probably deliberately. The pension field is a very complex one and we must be careful and precise in order not to come to erroneous conclusions.

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